EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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EC CAR IMPORTS
Giving the green light to Japan
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World News

Political crisis in Poland deepens

Poland's political crisis deepened as it became clear that the country's ruling Communist Party cannot construct a government without the assent of Solidarity and of its previously obedient coalition partners. Page 22

Sudan pledge
Sudan's new military leader consolidated power over the weekend and pledged to end the country's civil war and win backing from moderate Arab states. Page 3

Israeli-PLO meeting
Israeli Knesset members and Palestine Liberation Organisation officials issued a communiqué calling for equal rights for Palestinians and Israelis, after a three-day meeting in Vienna. Page 4

Dubai rejects cargo
Dubai officials turned back part of a chemical cargo ordered by Iran through a West German company suspected of breaking an export ban. The chemical, thionyl chloride, can be used to make mustard gas.

World Bank record
World Bank approval of new loans soared by more than $2bn to a record $21.4bn in the last fiscal year, with the bank putting an increasing portion of its resources toward assisting the world's poor and the most heavily-indebted nations. Page 2

ANC ovation
More than 100 liberal white South Africans yesterday ended a three-day meeting with the African National Congress in the Zambian capital of Lusaka with a standing ovation for ANC President Oliver Tambo. Page 3

Army renamed
The Soviet Union has decided to rename its 380,000-strong army in East Germany, in a move which seems designed to bolster the self-confidence of the East Berlin government. Page 3

LDP defeat
Sousuke Uno, Japanese Prime Minister, could face new demands for his resignation after an expected defeat for the ruling Liberal Democratic Party in Tokyo local elections. Page 4

Oil platform protest
A third of the workers on Texaco's Tartan oil platform in the North Sea held a 24-hour strike to protest over health and safety standards, one year after the Piper Alpha disaster. Page 8

Soldier killed
A bomb killed a British soldier in West Germany when he was getting into his car.

Reporter expelled
Cuba has expelled a Reuter news correspondent, saying his story of reports that a Politburo member had sought protection from the Venezuelan Embassy and that a senior tourism official had been arrested were false.

Mayors protest
Israeli mayors from 12 "development towns", angry at rising unemployment, chained themselves together outside a cabinet meeting and shouted protests at Finance Minister Shimon Peres.

Afghan talks denial
Afghan rebels denied agreeing to talks with President Najibullah's government, apparently rejecting an offer of mediation by Yasser Arafat, the Palestinian leader.

2,200 drug arrests
More than 2,200 suspects were arrested in a 48-hour crack-cocaine operation by Florida and local police agencies.

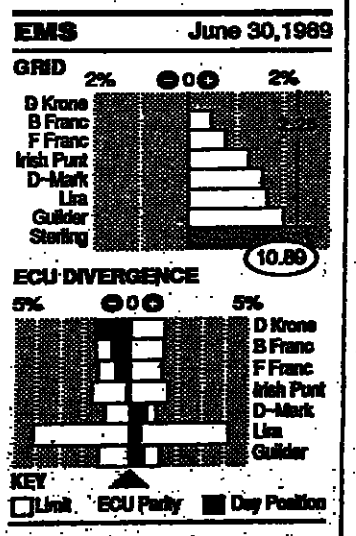
Strike curb threat
The UK Government threatened the possibility of new curbs on strikes in the public sector as it prepared plans to provide additional car parking in London to ease the impact on commuters of weekly transport strikes. Page 8

Business Summary

Matra, BAe consortium signs FFr1bn telecom deal

FRANCO-British consortium led by Matra and British Aerospace has clinched a FFr1bn ($148m) order from the Spanish government to build Spain's Hispasat telecommunications satellite system.
The programme will involve two or three satellites to provide Spain with telecommunications services. Page 6

EUROPEAN Monetary System: The Spanish peseta lost ground against its EMS partners but was still up from its European currency unit central rate. The Bank of Spain did not join in the concerted rise in interest rates last week which was started by an increase in the West German discount and Lombard rates.
The rise in rates was seen as an attempt to control the dollar's recent appreciation, but although below its best, the US unit was virtually unchanged on the week against the D-Mark.



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies. Currencies, Page 34

MONTEDISON: formal transfer of some of the Italian group's assets into Enimont, Italy's public-private chemicals joint venture, went ahead after days of confusion. Page 25

EUROCREDITS: volume of syndicated lending in the first half of 1989 has shown no sign of reverting to the record pace of 1988. Page 24

LAIDLAW Transportation, Canadian waste management and school bus company which holds a substantial minority interest in UK-managed ADT reported a sharp increase in earnings. Page 25

CONNAUGHT Biosciences' shares fluctuated sharply last week in response to internal projections of growth in the Canadian vaccines and pharmaceuticals group's earnings. Page 25

BRAZIL decreed a 12 per cent devaluation of the New Cruzado and imposed stricter exchange controls to prevent erosion of official reserves. Page 2

US FUTURES: proposed ban on dual trading in futures markets has been linked to an improvement in audit procedures, under legislation put forward with bipartisan support in the House of Representatives. Page 25

CHICAGO Mercantile Exchange plans to launch three futures contracts on Thursday to cash in on lucrative interest-rate and currency futures. Page 25, Page 22

JAPAN'S seasonally-adjusted unemployment rate in May was 2.4 per cent, a 0.1-point rise from the previous month, but other job market statistics suggested the domestic economy was still experiencing healthy expansion. Page 4

BARCLAYS, UK commercial bank, announced the pricing of its £184m issue of non-cumulative preference shares. Page 26

ZAMBIA devalued the kwacha from K10 to K16 to the dollar, de-controlled the price of essential commodities and authorised an increase in salaries. Page 3

CHUBB Holdings, South African security group controlled by Racal plc, lifted sales and profits in the year to March 1989 with strong growth in demand for physical security products. Page 25

Brussels may force tougher sewage standards on UK

By Philip Stephens, Political Editor

BRITAIN's water authorities are expected to face a fresh set of environmental demands from the European Commission which could add billions of pounds to their already large investment requirements once the industry is privatised.

The Commission, which is already pressing the UK Government to agree a much tighter timetable to improve the standard of the country's drinking water, has drafted a directive which would prevent the authorities dumping raw sewage into the sea.

The directive is unlikely to be formally tabled until after the planned privatisation of the industry in November. But Mr Carlo Ripa di Meana, the Environment Commissioner, is expected to push for its ratification next year.

If agreed it would mean that water companies operating in Britain's coastal areas would have to stop pumping untreated waste into the sea. That would require a large-scale construction programme to build coastal treatment plants, at a cost which experts estimate would run into billions of pounds.

The implications of the draft directive may add to the controversy over the proposed privatisation when the Water Bill, the law providing for the water sell-off, returns for further debate in the House of Commons today.

The opposition Labour Party plans a strong attack on a number of elements in the bill, including the proposals for drinking water and plans to grant the water companies temporary immunity from prosecution for sewage discharges into rivers.

Government plans to overturn an amendment to the bill passed by the House of Lords will be used by the Labour Party to maximise ministerial discomfiture.

The amendment would require water companies to meet all EC standards for drinking water by 1993, but ministers will argue that such a programme is impracticable.

The industry's sale in November may be further complicated by the fact that the Commission remains uncertain that its negotiations with the Government on an agreed timetable for meeting drinking water standards can be completed by that date.

The Government is now submitting to Brussels data covering 60 separate purity tests on every water source in Britain. The Commission expects that it will take months to process the information.

Mr Ripa di Meana is also thought to remain unhappy with Britain's proposed target dates for the reduction to acceptable levels of nitrates and lead in drinking water.

Such a delay would leave

Continued on Page 22

UK electricity sell off, Page 8

GEC, Plessey chiefs to examine formula for peace in bid battle

By Terry Dodsworth, Industrial Editor, in London

PROPOSALS seeking an amicable settlement to the eight-month bid battle between General Electric Company, the British engineering and electronics group, and Plessey, the UK electronics group, will be examined by senior executives of both companies this week after a new peace initiative.

Explanatory talks have already begun on a plan under which GEC would buy Plessey's 50 per cent share in GPT, the jointly-owned telecommunications equipment manufacturing company which was formed by the parent groups only last year.

If these talks make progress early this week, they could lead to a concrete buyout plan for GPT within a few days. This is also likely to include proposals over general technology agreements between GEC and Plessey.

The attempt to find an agreed alternative to the hostile takeover bid, launched by GEC in collaboration with Siemens of West Germany last November, was first mooted last month. Plessey approached GEC at that time with a proposal to be either a buyer or seller of its 50 per cent GPT holding at the same price.

GEC did not then take up the offer of talks. However, after GEC indicated last week that it might be prepared to buy the Plessey stake, talks began between Mr Stephen Walls, the Plessey managing director, and Mr Malcolm Bates, deputy managing director of GEC.

Executives from both companies refused to discuss the details of the negotiations yesterday. However, it seems that the issue has been brought to a head by the problems GEC and Siemens have encountered in finding a formula for a straight takeover bid which would satisfy the British Government.

The Anglo-German consortium has run into difficulties because of Plessey's strong position in the UK defence industry, where it is second only to GEC as a supplier to the British Government.

Britain's Ministry of Defence has objected that the acquisition of Plessey would raise serious security issues if military secrets passed into West German hands.

It is also worried about reduced competition in the UK defence market.

In an attempt to resolve the Ministry's anxieties, GEC and Siemens entered negotiations seven weeks ago on a series of undertakings covering both the security and competition issues.

These talks have dragged on for longer than expected, with the Defence Ministry apparently taking such a tough line over the suggested undertakings that there has been growing doubt about the acceptability of the deal to the bid partners.

GEC and Siemens are expecting a final draft of the Ministry's proposals within the next few days.

Both companies have indicated recently that they would still prefer to go ahead with their initial plan and launch a bid for the whole of Plessey.

One British official said yesterday that, with the draft proposals expected from the Ministry at any time soon, it should be clear within the next two weeks whether or not the consortium would be going ahead with a bid or trying to reach agreement over GPT with Plessey.

Suggestions that the bid might not go ahead have been gaining force in the London Stock Market for several weeks when it became clear that the Ministry was taking a strong line on the undertakings. Anxieties have been deepened because of Cabinet Office involvement in the discussions over the security issues.

Lord Weinstock, GEC's managing director, has also insisted throughout the affair that he would not go ahead with the bid if the Defence Ministry's conditions and the cost of buying Plessey became too onerous.

Since the Anglo-German consortium launched its offer at a price per share of 225p, Plessey's share price has jumped to well over 260p, substantially higher than the 245p at which GEC and Siemens subsequently acquired Plessey shares in the market.

Some dealers have argued that GEC's comments in recent days, including the talks with Plessey, may be a device to try and force the Plessey share price down.

This was one of the suggestions in the Stock Market on Friday, when Plessey's shares fell sharply on rumours of the talks, but then recovered to 258p, some 8p down on the day, when analysts took a sceptical view of the negotiations.

Greece swears in Government to curb corruption

MR TZANNIS Tzannetakis, a former navy officer jailed by the military junta ruling Greece in 1967, was yesterday sworn in as Prime Minister to head of an unprecedented conservative-communist Government with the aim of cleaning up the country's political life, agencies report from Athens.

The ceremony at the Presidential Palace brought down the curtain on eight years of Socialist rule under the flamboyant and unpredictable former prime minister Mr Andreas Papandreou.

Mr Tzannetakis said his administration would be a three-month government with the "purpose ... to have the law concerning the responsibility of former ministers lifted and hand over the guilty to justice."

A crowd of supporters estimated at about 3,000 people gathered at the Presidential Palance to cheer members of the new government as they entered and left following oath-taking ceremonies. "Catharsis, catharsis, put the crooks in jail," the crowd chanted when Mr Tzannetakis appeared.

An agreement setting-up the coalition was negotiated at the weekend by Mr Constantine Mitsotakis, leader of the conservative New Democracy Party, and Mr Harilaos Florakis of the Coalition of the Left and Progress. The pact limits the interim administration to "restoring democratic institutions and cleansing Greek political life."

Mr Tzannetakis, who was Mr Mitsotakis' hand-picked choice as Premier, described the agreement as "historic" and said that a cleansing of the country's financial scandals left behind by the defeated Socialists would be "in full and in depth" but without feelings of revenge.

The agreement with the Communist-led Coalition ended 15 days of uncertainty and came 40 years after the Greek Communist Party was defeated in a civil war by US-backed conservative government forces. Most members of the new Cabinet had served as ministers in a New Democracy-led government from 1977 to 1981.

The country's new Parliament, the members of which were elected last month in an inconclusive national poll, convenes today. Mr Tzannetakis, according to the Constitution, then has 15 days to present his programme for approval.

Mr Mitsotakis and Mr Florakis both emphasised that the interim Government was limited to the investigation of the scandals and replacing officials in most state organisations appointed by Mr Papandreou's Panhellenic Socialist Movement (Pasok). New general elections would be declared after three months.

Officials of the Hellenic Radio-Television Corp. who were often accused by the political opposition of tightly controlling the news, resigned on Saturday. The controversial director of the Telecommunications Organisation, Mr Theofanis Tombras, also quit.

In the recent elections for the new 300-member unicameral Parliament, the New Democracy received 145 seats. six short of an absolute majority, with the Coalition winning 28 seats.

Pasok, rocked by a series of scandals over the 10 months leading up to the elections, came in a distant second with 125 seats.

Pea green with envy at the All American way of life

By Christopher Parkes in London

THEY may be overweight, over-confident, and over-the-top, but the citizens of the US are the envy of the world. They live in Disneyland, never grow old, enjoy the biggest green peas known to man and wear Fruit of the Loom underpants.

This is a mere sample of the diverse and curious characteristics of US life which the rest of the world admires, according to Ogilvy & Mather, the US-based advertising agency. And American companies should take note, it says in a report* just published.

Identifying the "international equity" in American brands, symbols and images can help them recognise and exploit opportunities at home and abroad.

Having cornered assorted visitors in airport lounges around the US, the agency's researchers grilled them on their observations and feelings about life in America.

Bigness was especially noted. Houses, rooms, food portions, the people themselves and even the vegetables came in for comment. "I mean, the green peas are enormous," remarked one European with an eye for culinary detail.

Thinking – and talking – big, love of fun, optimism and energy all emerged as powerful and largely positive features in the American psyche. But there was also criticism over the associated traits of immaturity, wastefulness and superficiality.

Still, few could resist – or were too polite to mock – the seductive powers of the American amalgam, characterised in Disneyland, voted the greatest attraction in the country.

"The Disneyland-of-the-world ideal expresses the spiritual dynamics that the visitors see in America ... a nation that is extraordinarily colourful and animated ... where teens, young adults, middle-agers and seniors alike share a child-like optimism ... where people defy the expectations of what is possible ... where anything can happen," the report gushes.

Asked to name US products, brands and companies they found "exciting or fascinating," the hapless trippers dutifully nominated Coca-Cola, IBM, American Express, Fruit of the Loom. But how did Puma, the West German sportswear brand, get in there,

Continued on Page 22

Unilever to buy Calvin Klein fragrance business for $306m

By Roderick Oram in New York

UNILEVER is to pay $306m for the Calvin Klein business, an up-market line of fragrances which will extend the Anglo-Dutch group's strategic thrust into cosmetics.

The deal is some consolation to Unilever, whose ambitions were dealt a severe blow this spring. Its tentative agreement to pay $1.55bn for the Fabergé and Elizabeth Arden cosmetic and fragrance businesses collapsed when their owner, Mr Meshulam Riklis, a prominent New York businessman, tried to change the terms significantly.

Since then, Unilever has paid $120m to buy the European operations of Rimmel, another cosmetics company, from Schering-Plough, the US pharmaceutical group.

The Calvin Klein line, bearing the name of one of the most successful contemporary US fashion designers, will bring several highly lucrative fragrances to Unilever's portfolio. Obsession, Obsession for Men and Eternity have taken the market by storm, partly because they are promoted by some of the most erotic advertising found in mainstream US magazines.

Widely distributed through department stores and other outlets, Calvin Klein cosmetics generated net sales of $158m last year. Since 82 per cent of revenues were in the US, Unilever believes it can expand the lines rapidly through its European distribution system.

Chesebrough-Pond's, Unilever's US subsidiary for personal care products, will take control of Calvin Klein Cosmetics by buying its parent company, Minnetonka, based in a suburb of Minneapolis. At the same time it will sell most of Minnetonka's non-Calvin Klein assets to Tsumura, a Japanese maker of herbal medicines.

Unilever is offering $22.86 a share for Minnetonka, a total of $376m. The net cost after the disposals will be $306m. Mr Robert Taylor, Minnetonka's chairman, said the price was "excellent value to shareholders" at 1.8 times annual sales and 83 times net income. It was also 65 per cent above the stock price on March 1, the day before the company announced it was for sale.

However, the offer is well below analysts' forecasts of $26-$28 a share and below Friday's market close of $25. The share price had already fallen several dollars last month, after rumours of low bids from Unilever, Fabergé, Revlon and other parties.

While Mr Taylor said he was selling Minnetonka to maximise shareholders' value, others in the cosmetics business say the real reason was friction between him and Mr Klein which began soon after Mr Taylor paid $1m for Mr Klein's fledgling cosmetics business in 1980.

Mr Taylor is expected to use his personal profits from the sale to start a new cosmetics company.

Mr Klein has agreed to sell his 14.7 per cent stake in Minnetonka to Unilever.

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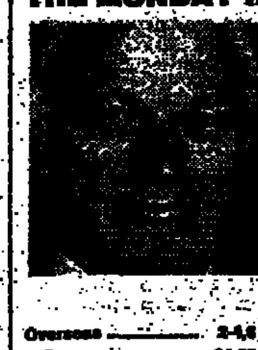
THE MONDAY INTERVIEW



"If we have learned anything in the past 11 years, it has been to uncover the amount of discrimination which does go on" – Mr Michael Day, chairman of the UK's Commission for Racial Equality. **Page 38**

OVERSEAS NEWS

Caribbean summit to debate trade treaty with EC

By Canute James in St George's, Grenada

POLITICAL leaders of the 13-member Caribbean Economic Community (Caricom) will begin their annual summit here tonight buoyed by indications of success in increasing trade within the organisation.

But the week-long meeting will be overshadowed by the apparent inability of the 16-year-old community, which covers a population of 5.5m, to influence changes which are being made to preferential trade treaties with the US and the European Community and which are important to several island economies.

Since Caricom was created, attempts to foster intra-regional commerce through the creation of a genuine free trade area have been bedevilled by sporadic rows between prime ministers and trade ministers and the frequent regulation of imports by some members to protect troubled domestic economies.

In addressing the matter this week, the summit will review figures which show that the value of trade within Caricom last year was $364m (£233m) – 14.6 per cent more than in 1987. Following a 36 per cent fall in 1986 and growth of 8 per cent in 1987, the summit is likely to conclude that the progressive dismantling of barriers to goods produced in the community is beginning to have a positive effect.

The impact of the most significant move in this regard is yet to be seen. Caricom agreed in October last year to the removal of barriers to trade in all but a handful of goods produced within the community. Liberalisation – at the request of the less industrialised and smaller members – is being periodically reviewed and the list shortened.

Any joy which the region's prime ministers get from the improvement in trade will be mollified by concern over the effects on members' economies of the impending creation of a single European market after 1992.

Officials say the community is still struggling to find a credible formula to suggest to the EC, which will allow continued protection for some products, mainly bananas.

The Windward Islands, which are Caricom members, produce about six out of every 10 bananas consumed in Britain. But the group, with Jamaica and Belize, are relatively expensive producers, and will not be able to compete against cheaper fruit from Latin America when existing protection is removed after 1992.

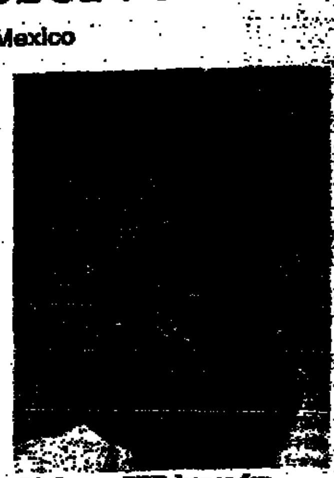
The prime ministers will also this week repeat their concern at a proposed 2 per cent reduction in the price the EC pays for sugar from the Caribbean, African and Pacific producers under the Lomé Convention.

Several community members have increased their non-traditional exports to the US, using duty-free access provided by the Caribbean Basin Initiative, Washington's preferential trade programme for the region. Repeated complaints from regional leaders that the programme was only marginally beneficial led some US legislators to propose changes which, if implemented, would increase access for products such as garments and footwear.

Mr John Compton, Prime Minister of St Lucia, warned his colleagues before this week's summit that they should not be too optimistic about far-reaching changes to the trade programme, as US opponents to the proposed changes are already "mounting a very strong lobby".

Mexican parties in struggle over election observers

By Lucy Conger in Morella, Mexico



Cárdenas: PRD hopes for victory after 60 years

ON THE eve of yesterday's ballot to elect the Michoacan state congress in Mexico, opposition party members engaged in a tug of war with election officials of the ruling party to extract accreditation for poll-watchers, who will be the first line of defence against the fraud expected in many districts.

Many observers believe the left-wing Party of the Democratic Revolution (PRD), led by former Michoacan governor Cuauhtémoc Cárdenas, could win a majority of the 23 congressional seats, breaking the ruling Institutional Revolutionary Party's (PRI) 60-year dominance of state governments. PRI and PRD are the leading contenders in the Michoacan elections.

As their respective campaigns closed, Michoacan PRI President Fausto Vallejo predicted victory, saying Michoacanos would vote for a changed PRI, citing recent reforms that toppled old leaders. PRD leaders foresaw a win for their side, claiming citizens would vote for a change.

In Maravatio, 55 miles east of Morelia, 45 PRD militants demonstrated peacefully outside District Electoral Commission offices on Saturday protesting at the invalidation of 120 of 129 PRD applications to accredit poll-watchers.

PRD congressional candidate Sergio Moreno Perez and supporters complained that manoeuvring, including changes in the location and numbers of polling places, blocked the applications. PRI party elections officials charged the PRD applications were filled with errors and could not be approved by law.

Questioning by foreign reporters failed to clarify the matters at hand but brought to light bad faith and ill will between the parties. "The [election] law was made by Cuauhtémito," Mr Fausto González Cambron, elections board secretary, said with relish, inventing a belittling diminutive of the PRD leader's name.

Late in the day, a solution was reached: the elections board accredited PRD poll-watchers, but did not register their deputies, so PRD poll-watchers will not be covered when they take a break.

During the demonstration, three army soldiers stood watch inside the elections office, looking out at the crowd impassively. Michoacan residents are sensitive about deployment of army troops, who were patrolling towns throughout the state in preparation for the balloting.

Throughout the campaign, PRI and PRD have accused each other of using the elections to provoke violence. The ballot was expected to test the organisational abilities of the PRD, which counts experienced PRI renegades among its ranks but which only gained registration as a party five weeks before the election.

More World Bank loans go to aid poor

By Nancy Dunne in Washington

WORLD Bank approval of new loans soared by more than $2bn to a record $21.4bn (£13.7bn) in the last fiscal year, with the bank putting an increasing portion of its resources toward assisting the world's poor and the most heavily indebted nations.

In its usual frenetic last-minute rush towards the fiscal year deadline, the bank last week approved $1.5bn sectoral loans for Mexico and set aside consideration of seven proposed projects for China. Mr Moeen Qureshi, senior vice president for operations, said the board would wait to review China's economic policies, and insisted that the postponement was "in no sense a sanction".

In its new lending, the bank put heavy stress, and 35 per cent of its resources, into what it is calling "people-oriented" projects to eradicate poverty.

"Growth alone does not necessarily reduce poverty, nor does it ensure food security," Mr Qureshi said. "We need targeted programmes to overcome deficiencies of critical skills, or to build strong domestic institutions."

He said women and children were often left behind in development schemes. He cited as an example of the bank's new emphasis a project in India to boost silk output, which is expected to create 500,000 jobs, particularly for women and tribal people in rural areas.

New health care schemes will help the poor in Benin, Nigeria, Indonesia and Mozambique. Education projects were begun in Chad and Morocco. A new programme in Turkey will focus on training women for jobs in commerce, administrative services and tourism.

The bank's co-financing operations increased markedly from $6.5bn in fiscal 1988 to $9.3bn in fiscal 1989. Most new money for these was provided by Japan through untied export financing.

Lending from the International Bank for Reconstruction and Development to indebted countries of Sub-Saharan Africa rose sharply from $725m to $1.6bn. With bilateral donors, co-financing in support of soft loans to the area exceeded $2bn.

IBRD net disbursements fell to $1.65bn from $3.4bn, thanks to prepayment by Romania, Korea and Thailand. Mr Qureshi said prepayments made more funding available for the neediest countries.

Ecuador in goodwill gesture to banks

By Stephen Fidler, Euromarkets Correspondent

ECUADOR, in arrears dating back to 1987 on its commercial bank debt, has made an interest payment to creditor banks in an apparent signal of goodwill in advance of debt talks expected to start this month.

The payment has been made despite a dispute with Citibank, the largest US bank, over $80m (£51m) in Ecuadorean deposits seized by the New York bank in May.

The payment of $15m – made on about four loans on which Lloyds Bank of the UK is agent – is being seen as a token and compares with debt arrears to banks exceeding $1bn. Ecuador, with bank debt before interest of around $6bn, suspended payments on its medium and long-term bank debt following a devastating earthquake in March 1987.

The payment is the first made since early 1988, when the country was unsuccessfully attempting to raise fresh finance from creditor banks. A meeting between Ecuador and its 13-bank advisory committee is expected to take place in New York this month.

Citibank and the Ecuadorean government are understood to have been in talks to resolve the dispute over the seized deposits, which were applied by Citibank to repay a short-term trade loan on which Ecuador was not in arrears. Mr Enrique Iglesias, the president of the Inter-American Development Bank, has been acting as a mediator between the two sides.

The move was viewed as a signal from the US bank to other debtor countries in arrears and to those contemplating arrears.

Officials in Quito, the Ecuadorean capital, said in May that some of the funds at Citibank were placed there in a special account by the World Bank for a petroleum reconstruction project. The World Bank has requested their return from Citibank.

Some of the other deposits, they said, were earmarked for interest payments to the commercial banks. The fact that last week's payment was made with the Citibank dispute apparently unresolved suggests progress may be being made over the issue, bankers said.

● A proposed interim financing of $600m for Venezuela is meeting resistance from some of the leading banks expected to provide it. Some of the approximately 20 banks expected to provide funds are understood to have refused the request.

Canadian banks and three continental European banks have held out against the proposal. It is not clear that a financing of reduced size will be acceptable to the Venezuelan government, which is more than 90 days in arrears on interest payments to creditor banks.

US fears on Geneva arms talks

By Lionel Barber in Washington

ADMIRAL William J. Crowe, chairman of the US joint chiefs of staff, yesterday predicted "protracted and very difficult" negotiations on reducing by half US and Soviet strategic nuclear missile arsenals.

Admiral Crowe combined his gloomy assessment of the recently resumed Start talks in Geneva with a warning that the Soviet military has badly under-estimated the task of carrying out Mr Gorbachev's perestroika reforms.

He said in a television interview: "I don't question their genuineness or their sincerity. Change is there. You can hear it, smell it, see it . . . but they have under-estimated the task, the difficulties, and the time it will take."

Admiral Crowe, who has just returned from a tour of the Soviet Union where he visited sensitive military installations and held talks with Red Army generals, referred specifically to a Soviet plan to move 100,000 army officers back into civilian life.

Admiral Crowe avoided matching the forecast of Mr Richard Cheney, US Defence Secretary, who said he thought Mr Gorbachev would ultimately fail and be replaced by someone more hostile to the West. Mr Cheney's remarks drew an outcry from US politicians who said the Administration should be supporting Mr Gorbachev's reform programme.

Admiral Crowe cautioned that the Soviet Union's pro-American problems would grow "more intense and more difficult" the further the country moved along the road of reform. But he said he did not see a political threat to Mr Gorbachev in the near-term, barring a cataclysmic event.

Turning to the Start talks, Admiral Crowe, who confirmed yesterday that he would retire in September, said negotiations would not be made simpler by US concessions on the Strategic Defence Initiative anti-missile programme. Issues such as how to count warheads would make it difficult to complete a treaty cutting strategic weapons by the proposed 50 per cent, he said.

Brazil decrees 12% devaluation

By John Barham in São Paulo

THE BRAZILIAN Government has decreed a 12 per cent devaluation of the New Cruzado and imposed stricter exchange controls to prevent erosion of official reserves. Further austerity steps have been announced to offset the inflationary impact of an incomes policy approved by Congress.

The inflation rate since January is 175 per cent. The Central Bank will devalue it daily in line with inflation.

Currency transfers will be directly controlled by the Central Bank. Bonds linked to the exchange rate will be launched, to reassure the markets.

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صورة من الاصل

OVERSEAS NEWS

Sudan's new leader vows to end civil war

By Julian Ozanne in Nairobi

SUDAN'S new military leader consolidated power over the weekend and pledged to end the country's civil war and win backing from moderate Arab states.

The leader of Friday's coup, Brigadier Omar Hassan Ahmed el-Bashir – who has promoted himself to the rank of general – announced the formation of a 15-man Revolutionary Command Council. The new government has pensioned off 30 senior army officers, including former Commander-in-Chief, General Fathi Ahmed Ali.

At the same time it said it was searching for Mr Sadiq el Mahdi, the former Prime Minister – although reports persisted that he had been arrested – and other senior members of his government.

In his first press interview with Khartoum's Armed Forces Newspaper yesterday, Gen Bashir, a 45-year-old paratrooper, announced a "balanced and non-aligned" foreign policy, emphasising peaceful relations with Sudan's African and Arab neighbours, and promised to end the six-year civil war "through dialogue and negotiation."

He appealed to the rebel Sudan People's Liberation Front to lay down their arms and promised to call a national referendum on the harsh Islamic *sharia* law. Its introduction has been a big obstacle to peace talks between the largely Moslem government in the north and the mainly non-Moslem rebels in the south. An SPLA spokesman in Addis Ababa said they had no comment to make yet.

Egypt became the first country to recognise the new government in Khartoum officially, further fuelling speculation that Cairo had played a key role in inspiring Friday's events. There had been mounting tension between the two countries over the ousted government's links with Libya and Iran.

Saudi Arabia and Chad, which were also concerned about the Libyan ties, also sent messages of support to the three-day-old military regime.

Gen Bashir takes his first press conference as Sudan's leader

Saudi Arabia has been a leading source of aid to Sudan.

The new military leaders show no signs so far of wanting to return to the chaotic experiment with parliamentary democracy which has mismanaged Sudan since 1986, when the army presided over elections leading to the establishment of a civilian government.

Gen Bashir blamed Sudan's 36 political parties, banned on Friday, for allowing the country to drift into ruin. "We are racing against time to solve the chronic problems of the country and we do not have time to waste in marginal differences and disputes," he said.

South African liberals applaud Tambo

By Nicholas Woodsworth in Lusaka

MORE than 100 liberal white South Africans yesterday ended a three-day meeting with the African National Congress in the Zambian capital of Lusaka with a standing ovation for ANC President Oliver Tambo.

In a joint communiqué, the ANC and the conference's sponsors, the white South African "Five Freedoms Forum", said that the exchange of views on the role of whites in the anti-apartheid movement had taken place in an atmosphere of openness and unity.

It said that while the ANC had gained a deeper understanding of the fears of the white community, white delegates at the conference had increased their awareness of the need for removing the ban from the ANC so that it could participate as a political force.

The communiqué listed five conditions as prerequisites to negotiations on a political resolution to South Africa's problems. These included removing bans from political organisations, the release of political prisoners, the end of a state of emergency, the withdrawal of troops from the townships, and the return to South Africa of political exiles.

Condemning the South African parliament as unrepresentative of the majority, the communiqué also stressed the importance of "non-parliamentary forces" in bringing about a multi-racial South Africa.

The conference examined a wide range of topics, among them the issue of sanctions, the use of violence, the formation of a non-racial constitution, and the nature of a post-apartheid economy in South Africa.

While white delegates found that on such questions as sanctions and violence there was little ground for consensus with the ANC, or even among themselves, there was almost universal agreement that the ANC was far less doctrinaire than expected.

"The ANC admits that it does not have all the answers and fully recognises the need for debate," said FFF Chairman Michael Olivier. He noted that while there was disagreement on issues and a need for independence of action, the meeting had developed a high degree of trust between the ANC and the white South Africans present.

Despite the wide range of political viewpoints at the meeting, all the delegates were enthusiastic about the value of the conference. For Joe Slovo, ANC exile and white head of the South African Communist Party, it was "an indication of a measure of sanity returning to the whites of South Africa."

Zambia devalues currency

By Nicholas Woodsworth in Lusaka

ZAMBIA has devalued the kwacha from K10 to K16 per dollar, decontrolled the price of essential commodities, and authorised an increase in salaries *of up to 50 per cent*.

Announcing the measures on Friday evening, Zambian President Kenneth Kaunda said they were a response to the country's deepening economic crisis.

During his announcement President Kaunda said that reforms undertaken in the past year had been found "realistic and acceptable" by the International Monetary Fund and World Bank, and that they created a good environment for co-operation with those bodies.

Although the latest moves are likely to be welcomed by the IMF, they are unlikely to be enough to bridge the wide gap between the Government and the Fund over economic policy.

Diplomats say that without an agreement with the IMF, Zambia stands little chance of economic recovery.

He blamed price controls – in effect since independence 25 years ago – for creating economic distortions and putting a financial burden on the Government budget. A more realistic exchange rate, he said, would encourage non-traditional exports and import substitution.

Swapo unveils poll manifesto

SWAPO, the the Namibian nationalist organisation, revealed its manifesto for the independence election, toning down its Marxist heritage to placate the fears of foreign business interests in the South African-ruled territory, Reuter reports from Windhoek.

The South West Africa People's Organisation, which fought a 23-year guerrilla war against Pretoria's rule over Namibia, presented its election manifesto before thousands of cheering spectators at a rally in Windhoek's black township.

Swapo is considered by most observers to be the most likely winner of UN-supervised elections this November which will pave the way towards the establishment of an independent Namibia next year.

Main points of the manifesto include a commitment towards a mixed economy, a campaign to close the gap between black poverty and white wealth and an anti-corruption drive.

The document did not indicate the extent of state intervention, but it gave assurances about the future of the private sector which currently dominates the economy.

"No wholesale nationalisation of the mines, land and other productive sectors is envisaged in the foreseeable future," the manifesto said.

But despite the conciliatory tone, Swapo said that its underlying left-wing philosophy would remain untouched.

Moscow to rename East German army

By David Marsh in Bonn

THE SOVIET Union has decided to rename its 380,000-strong army in East Germany, in a move which seems designed to bolster the self-confidence of the East Berlin government.

The decision to call the Soviet forces the "West Group" rather than "Group of Soviet Forces in Germany" came after last week's Soviet trip by Mr Erich Honecker, the East German leader.

It conforms to a long-held East German wish to counter the impression that the Soviet Union is maintaining an occupation force. A Soviet spokesman said the change was sought by East Germany.

The name "Group of Soviet Forces in Germany", used throughout the post-war period, has its origins in the formal responsibility for the whole of Germany held by the US, the Soviet Union, Britain and France.

This responsibility has not ended because of the lack of a post-war peace settlement with the war victors – giving both East and West Germany the character, in legal terms at least, of provisional states. The East German leadership has been irked by the appellation, as it has added to international doubts about the country's legitimacy.

The Soviet Union, in announcing the change, was careful to state that the status and rights of the Soviet forces remained unaltered.

Ireland seeks way out of a political fog

By Kieran Cooke in Dublin

THE Dail, the Irish Parliament, meets again today to try to elect a prime minister and form a government. Mr Charles Haughey, the Irish Prime Minister, last week failed in his attempt to be nominated as the country's leader. The situation is unprecedented in the history of the Irish state.

On one level the political impasse is concerned with Mr Haughey's future and his dogged battle to stay on as Prime Minister.

But underlying this is a struggle which could determine the complexion of Irish politics and the nature of its political system. In many ways it is a battle between old and new. At present Ireland has a European-style electoral system, based on proportional representation, but a tradition of British-style majority governments.

Clearly, the situation is far from satisfactory. Mr Haughey called a mid-June election to try to secure a majority for his Fianna Fail Party, which has presided over a minority administration for the past two years. Mr Haughey and Fianna Fail failed. Fianna Fail now has 77 of the 166 seats in the Dail. Fine Gael, the main opposition party, has 55 seats; the Progressive Democrats have six, while the rest are held by Labour Party, Workers Party and independents.

The election outcome determined the inconclusive Dail vote on leadership. Mr Haughey was forced to resign and has since made further efforts to gain support and form a government.

Mr Haughey has been at pains to point out that it is tough for any single party to gain a majority under the present electoral system. Yet he clearly wants, if not a majority, then single-party rule. He insists that European-style coalitions or power-sharing arrangements are unworkable in the Irish context. "I don't believe in it... I don't think it would work," he says.

In this Mr Haughey and much of the Fianna Fail old guard seem out of touch with reality. They also seem to ignore much of the electorate, which wants an end to party bickering, no more elections for the time being, and above all, a strong government to deal with Ireland's economic and social problems.

Mr Haughey and many of his ministers are seen to represent an old order. The ghost of Mr Eamonn de Valera is still present in Fianna Fail. Mr de Valera founded Fianna Fail ("Warriors of Destiny") in the 1920s. It was conceived as more a movement than a party, based on a semi-mythical vision of Ireland. "Keep your policy under your hat" was a de Valera maxim.

Fianna Fail has been successful. Its tight discipline and bedrock of support in all sectors of Irish society have led to it holding power for more than 40 years since it contested its first election in 1932. But modern Ireland is different from de Valera's vision. Fianna Fail no longer has the broad appeal it once had.

Some of the old allegiances have disappeared. The party's identity, always a little blurred, is increasingly lost in a green fog. Ireland, alone in Europe, has two main parties of the centre-right.

Mr Alan Dukes, Fine Gael's leader, has suggested a coalition with Fianna Fail, with rotating Prime Ministers and shared cabinet representation. Mr Haughey has dismissed the idea as "totally unacceptable."

Mr Haughey seems determined to preserve Fianna Fail's purity at all costs. Fianna Fail has been trying to come to a limited accommodation with the Progressive Democrats, composed mostly of disenchanted Fianna Fail members. Many feel such an arrangement will be short-lived.

Mr Haughey has repeatedly emphasised that all parties have a responsibility to form a government. He has warned of dire consequences of another election. But, despite recent events, he seems reluctant to surrender his vision of Fianna Fail single-party government. When the political horse-trading is over, it seems likely that Mr Haughey will once again be prime minister. The question then is: for how long?

OVERSEAS NEWS

LDP prepares for heavy losses in Tokyo local poll

By Stefan Wagstyl in Tokyo

Mr SOUSUKE UNO, the Japanese Prime Minister, could face new demands for his resignation following an expected defeat for the ruling Liberal Democratic Party in local elections held in Tokyo yesterday.

The LDP has braced itself for heavy losses in the poll, the results of which were due to be announced today.

The election, with 9m eligible voters, was the biggest test so far of the damage done to the party's standing by an unpopular consumption tax and the Recruit affair as well as a sex scandal involving Mr Uno and a part-time geisha.

The poll was particularly significant because a national election for the Diet's upper house is to be held on July 23. Campaigning starts on Wednesday. Analysts said the party's losses in Tokyo could be severe enough to force Mr Uno's resignation.

Mr Uno's aides have said that he has talked about resigning. He is thought to be worried both about damaging his party's prospects in the upper house election and about harming Japan's international reputation at the Paris summit of Western leaders in two weeks.

On Friday, four elder statesmen of the party, including Mr Takeo Fukuda and Mr Zenko Suzuki, both former prime ministers, and Mr Susumu Nikaido, a former senior party official, urged Mr Uno to resign. However, their voices will not be decisive, as Mr Fukuda and Mr Suzuki both objected to the original selection a month ago of Mr Uno to succeed Mr Noboru Takeshita.

A key consideration for party officials will be the damage done to the LDP among women voters, who are particularly incensed by the sex scandal. Reports from polling stations in Tokyo yesterday indicated that the turnout was high – at 59 per cent, against 53 per cent last time – with more women voting than men. The exceptionally high female turnout is likely to have brought a large anti-LDP protest vote.

The LDP, which now holds 63 out of 126 seats in the municipal assembly, set itself a target of 50 in the new council, which is being enlarged to 128.

An indication of the fall in the party's popularity nationwide was given last night in an opinion poll broadcast by NHK, the public television organisation. NHK reported that 45 per cent of the respondents said they supported the LDP, against 49 per cent in a similar pre-election poll in 1986.

However, only 23 per cent said they would vote LDP, against 35 per cent three years ago. This indicates that although voters still see the LDP as the natural party of government, many of them are angry enough to abstain or to vote against it in the upper house election.

The main beneficiary is the Japan Socialist Party. Some 19 per cent of respondents said they supported the Socialists against 14 per cent previously and 17 per cent said they would actually vote for them, an increase of 7 points.

Japanese unemployment edges higher

By Yuriko Mita in Tokyo

JAPAN'S seasonally-adjusted unemployment rate in May was 2.4 per cent, a 0.1-point rise from the previous month, but other job market statistics yesterday suggested the domestic economy was still experiencing healthy expansion.

The total number of people in work reached 62.08m, up 1.7 per cent from May 1988. It was the fourth month in a row that more than 900,000 net jobs had been created.

The seasonally-adjusted ratio of job offers to seekers, which has been exceptionally strong in the past year, rose a brisk 0.11 points to 1.27 from April.

Employment figures for construction and manufacturing rose 3.1 per cent and 2.8 per cent respectively, the rise in construction due to summer employment. Job offers grew 21.7 per cent in the service industry and 20.5 per cent in the transportation and communications industries. New job openings in manufacturing, wholesale and retail, restaurants and construction sectors also posted increases in job offers of 10 per cent or more.

Jerusalem's Arabs should vote says mayor

By Hugh Carnegy in Jerusalem

TEDDY Kollek has been mayor of Jerusalem since before Israel captured the Arab half of the city from Jordan in the 1967 Six Day War and he has no desire to relinquish Jewish control over the whole city. "God promised Abraham Hebron [in the West Bank] and I'm willing to give that up. But why should the Arabs have everything?" he asks.

But the 78-year-old mayor is, in Israeli terms, no hawk, and yesterday he made it plain that in the current debate over whether the Arabs of East Jerusalem should be able to vote in proposed elections in the occupied West Bank and Gaza Strip, he favoured their participation.

The issue is one of the subjects plaguing Prime Minister Yitzhak Shamir as he prepares to confront fierce opposition to his government's peace initiative at a conference of his Likud Party on Wednesday.

Likud opponents of the plan want, among other conditions, to rule out participation by East Jerusalem Arabs in elections foreseen under the initiative because they believe it would threaten Jewish rule over the whole city, something most Israelis are loath to contemplate. However, the US, the Palestinian leaders and most of the Labour Party half of Mr Shamir's coalition believe the proposed elections – intended to choose Palestinians to negotiate a settlement with Israel – must include Jerusalem's 80,000 Arab voters if they are to have any credibility.

Mr Kollek falls into the latter camp. "I am as strongly against dividing the city as anybody who will make a big speech at the Likud conference. But I believe that giving [Palestinians] their freedom of expression makes it easier for them to live here in a united city, not more difficult."

He warned of "a great deal of furore, a great deal of ill will and a great deal of fury" if East Jerusalem Arabs were excluded.

In fact, their exclusion would make Mr Shamir's peace plan a virtual dead letter, which is why he is trying to avoid attempts by his opponents within Likud to tie him down on it and other issues at Wednesday's conference. Last night, it appeared wrangling over the agenda would go on almost to the last minute.

Britain 'could handle mass immigration from Hong Kong'

By Robin Pauley, Asia Editor

THE migration of all 3.2m British passport holders from Hong Kong to Britain could not only be managed but could provide a strong economic boost and an improvement to the balance of payments, according to an analysis by a team headed by Professor Bernard Corry of London University's Queen Mary College.

The report, commissioned by the South China Morning Post, points out that even if Britain opened its doors it is unlikely that the majority of Hong Kong's population would want to move to Britain.

But for the sake of its analysis it assumes the "worst case" and predicts that if they all came there would be an economic gain and little social disruption. The labour force would be increased and, depending on an active regional strategy for settling new immigrants, economic regeneration would occur in areas which would otherwise suffer declining populations.

There would be an increase in the proportion of the working population which was of working age, and lower subsidies would be needed for public transport, as utilisation would increase.

There would also be some costs. They would include more competition for unskilled jobs, possibly increased congestion in the South East, higher private housing rents and more public expenditure on housing, health and education, which could require higher taxes or more public-sector borrowing.

The chapter on the labour force nails the myth that Hong Kong is essentially a pool of cheap unskilled labour. "In many ways the Hong Kong workforce has more in common with that of a European than a third world country. Some 68 per cent of the population of working age is economically active, compared with 62 per cent in the UK, of whom just over half work in industry and just under half in services." Education attainment and employment skills show Hong Kong to be in transition between third and first world norms but moving ever closer to the first world.

The report confirms internal analyses by the British Foreign and Home offices, that substantial immigrant influxes could be accommodated without undue difficulty in Britain and the costs could be reduced or even outweighed by the potential economic benefits.

One such study examined the possible impact of 1m white South African holders of British passports fleeing to Britain in an emergency and concluded that such a crisis could be managed.

There have been suggestions that in the event of a crisis in Hong Kong the international community should be asked to help Britain share the burden. But Professor Corry's conclusion was that, while European Community and Commonwealth help would be welcomed, there are dangers for Britain.

"Other participating countries may seek to cream off the wealthy, the skilled, the finest English speakers and those of working age without dependents. The UK would then be left with the poor, the unskilled, those without English, the very young, the old and the sick. If this were to occur then many of the benefits to the UK from the immigration would be abated or nullified."

Presidential nominations close in Iran

REGISTRATION of candidates for Iran's presidential election, to be held on July 28, closed yesterday with 62 names on the list, Reuter reports from Nicosia.

Parliamentary Speaker Ali Akbar Hashemi Rafsanjani is the only one whose name has been officially published, the Iranian news agency IRNA reported. He is considered the front-runner to succeed Ali Khamenei.

The Council of Guardians, an Islamic watchdog group, will vet candidates and announce the names of those qualified in five to 10 days.

It is expected to eliminate all but a handful of candidates, as in the last polls four years ago, when only four people stood.

Candidates must by law be male and politically or religiously prominent, belong to Iran's majority Shia sect of Islam, and have no criminal record.

Beirut hope after Soviet move

By Lara Marlowe in Beirut

A SOVIET diplomatic tour de force – which resulted in an Iraqi promise to stop arming Lebanese Christians if the Syrians would halt their artillery bombardments in Beirut – inspired new hope among the Lebanese this weekend, even as shelling and gun battles continued in the city.

Mr Mikhail Gorbachev, the Soviet leader, appears to have personally seized the initiative in mediating between Iraq and Syria, the two regional powers supporting opposing sides in the latest Lebanese crisis, which began on March 14.

The Soviet Union is the main arms supplier to both countries.

On Saturday, shortly before the Soviet First Deputy Foreign Minister Alexander Bessmertynkh began a two-hour discussion with President Saddam Hussein of Iraq, the Iraqi Foreign Ministry said it would stop arming Christian forces in East Beirut led by Gen Michel Aoun on condition that Syria end its "aggression" against the Christian enclave.

Syria has consistently demanded that Iraq end the assistance it began providing to anti-Syrian Lebanese Christians in the summer of 1988 as a condition for lifting the Syrian blockade of the Christian enclave.

Although the official Syrian press yesterday dismissed the Iraqi offer as "a manoeuvre to mislead the Arab League committee", the statement – and a subsequent journey by Mr Bessmertynkh to Damascus yesterday – constituted the first evidence in many weeks that a settlement of the Lebanese crisis may be possible.

The foreign ministers of Algeria, Morocco and Saudi Arabia – the three countries which compose the Arab League special committee trying to bring about a settlement in Lebanon – also arrived in Damascus yesterday. Gen Aoun has not commented on the developments in Iraq and Syria.

The efforts of the Arab League have until now largely been devoted to the achievement of a lasting ceasefire, the ending of the blockade and the opening of roads between east and west Beirut.

These efforts have had little, if any, effect – demonstrated by the continued shelling of the city by both Syrian and Christian Lebanese forces over the weekend, bombardments which killed eight people and brought the total number of dead since March to nearly 400.

Late last week, following a visit by the Moroccan Foreign Minister, Mr Abdellatif Filali, to Moscow, Mr Gorbachev announced that the Soviet Union would contact both Iraq and Syria in an effort to stop the fighting in Lebanon. He also said he would discuss the Lebanese crisis with Mr François Mitterrand, the French President, during his state visit to France which begins tomorrow.

'TROOPS HAD NO RUBBER BULLETS OR WATER CANNON'

Li justifies firing on protesters

CHINESE troops had to fire on pro-democracy protesters in Peking a month ago because the security forces had insufficient tear gas and no rubber bullets or water cannon, Premier Li Peng told an American visitor, Reuter reports from Peking.

Mr Daniel Wong, a Chinese-American local government official from California, told reporters yesterday that Li had insisted the soldiers "did not want any bloodshed, they wanted peace, they knew the students' intentions were good".

Faced with a deteriorating situation, however, with people stealing weapons, soldiers being beaten up and some killed, the security forces had to take action against what he called the "bad people mixed up with the good".

Li, bitterly attacked abroad for ordering the crackdown, said the protests on Tiananmen Square were the first in 40 years of communist rule. "We were not prepared."

Mr Wong quoted him as saying that when the security forces tried some of their small supply of tear gas, it was ineffective. Li said the army had no rubber bullets and that there was no hydrant around Tiananmen Square with enough pressure for water cannon.

"Our police force is not trained for riots as in some other countries," Li was quoted as saying, citing South Korea and the US as examples.

Li vowed the government would not pursue ordinary students who took part in more than six weeks of unrest.

The official People's Daily quoted him as saying: "Although we do not praise their methods – demonstrations, sit-ins and hunger strikes – we will take a lenient attitude toward them, provided they did not break the criminal law."

Asean urges aid for Philippines

By Peter Ungphakorn in Bandar Seri Begawan, Brunei

FOREIGN ministers from the Association of South East Asian Nations (Asean) yesterday urged donor countries and international aid agencies to pledge significant contributions to aid the Philippines economic recovery.

The call was issued in Brunei on the eve of the ministers' annual meeting, and on the eve of a three-day meeting in Tokyo of about 20 donor countries and a dozen aid agencies to discuss and commit funds for the programme, known as the mini-Marshall Plan. The US is said to be prepared to commit $1bn (£640m).

Mr Raoul Manglapus, the Philippines Foreign Minister, said in Brunei that he hoped for a flow of aid with a momentum similar to the funding Indonesia has received from an inter-governmental group, reaching more than $4bn last year. Mr Manglapus will miss much of the Asean meeting in order to attend the signing ceremonies in Tokyo on Tuesday.

His colleagues from Brunei, Indonesia, Malaysia, Singapore and Thailand will be discussing, among other issues, next month's planned Paris conference on the Cambodian conflict, a proposal to set up East Asian-Pacific economic co-operation, and Asean's response to the turmoil in China.

Mr James Baker, the US Secretary of State, is expected to propose broad cross-Pacific co-operation of some kind, when he joins the Asean meeting later this week. He will be seeking US participation in an idea that some see as a possible counter to European market integration.

Asean's ministers want clarification of Thailand's position on Cambodia. Since his appointment as prime minister in August, General Chatichai Choonhavan has adopted a reconciliatory stand, trading with the Indo-Chinese states and inviting Mr Hun Sen, the Vietnamese-backed Cambodian Prime Minister, to Bangkok for an unofficial visit.

PLO meets Israeli politicians

By Jihan el-Tahri in Tunis

ISRAELI Knesset members and Palestine Liberation Organisation officials met for three days in Vienna last week. The final communiqué, issued yesterday, called for equal rights for Palestinians and Israelis, and recommended that the Israeli government and the PLO should be on an equal footing in efforts to find a permanent solution for the Arab-Israeli conflict.

The meeting comes in the framework of intensified informal contacts between Palestinians and Israelis hoping to find a settlement for the 40-year conflict. The Israeli government refuses to accept the PLO as a negotiating partner and is unwilling to withdraw from the territories occupied in 1967.

Another PLO delegation is to meet prominent Israelis in Toledo, Spain, on Tuesday.

Lionel Barber in Washington adds: The Bush administration's expanding contacts with the PLO have alarmed pro-Israel supporters in Congress and raised the possibility of a backlash.

Criticism is focusing on two recent meetings between Mr Robert Pelletreau, the US special envoy in Tunis, and Mr Salah Khalef (Abu Iyad), called by Israel "the father of international terrorism".

The State Department acknowledged that Mr Pelletreau had met PLO representatives but said it was a legitimate part of US peace efforts in the Middle East.

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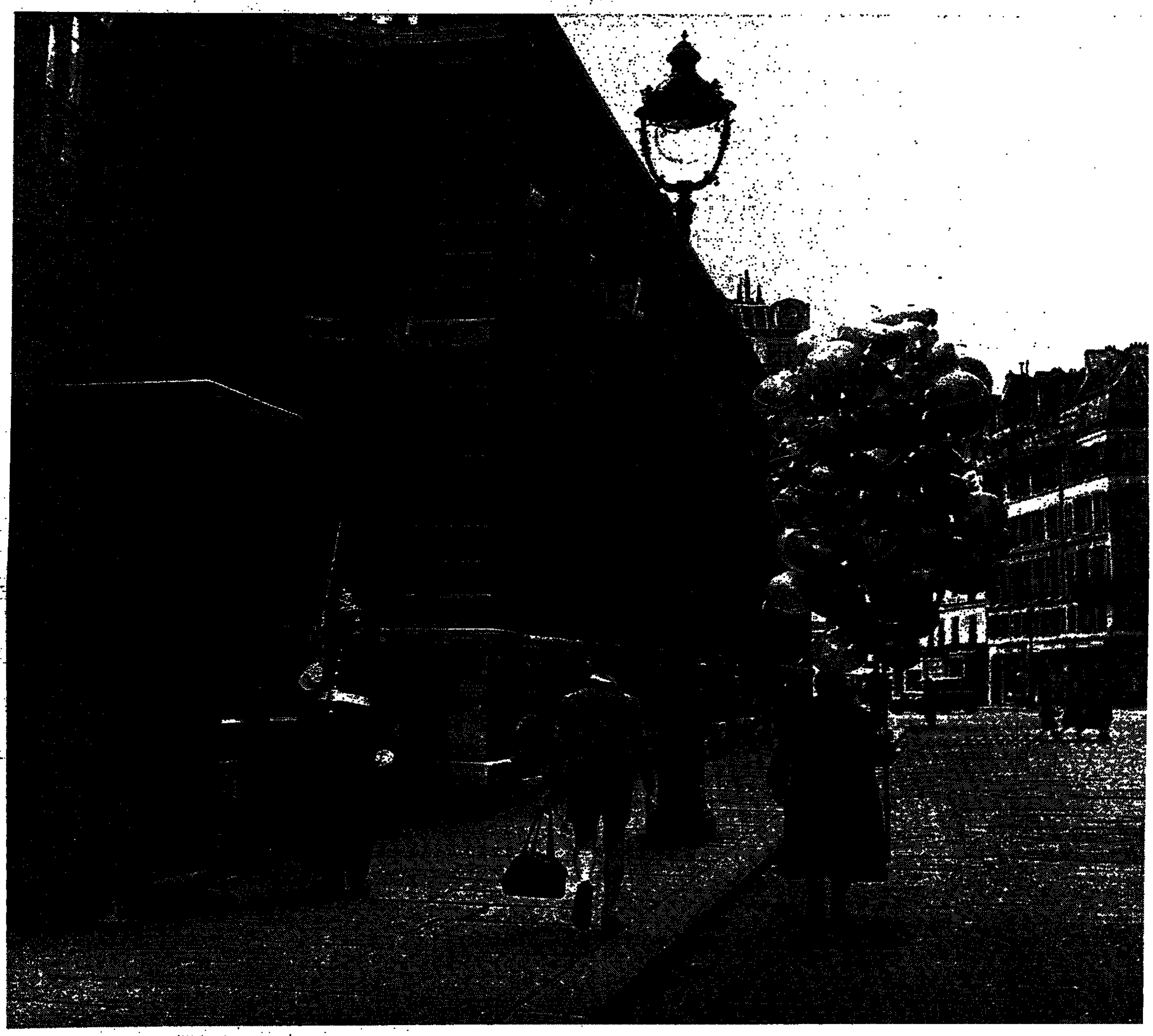

ROBERT DOISNEAU/RAPHO

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OVERSEAS NEWS

Paris motorists flee the festivities

By George Graham in Paris

FRENCH drivers took to the roads at the weekend with the words of their prime minister, Mr Michel Rocard, ringing in their ears: "We have to stop the massacre and start driving peacefully".

With twice as many deaths in road accidents as the UK, and a third more than in West Germany, France's driving record is dismal, and as the holiday season begins, threatens to reach a new danger point. One peak holiday weekend last year saw 135 road deaths. Over 7m motorists, including some 800,000 foreigners, were expected on the French roads at the weekend, 55 per cent more than normal.

If foreign tourists are flocking to Paris to celebrate the Bicentenary of the French Revolution – Mr Olivier Stirn, Minister for Tourism, expects some 30-40 per cent more this year than last – Parisians are fleeing the festivities.

Many are even willing to abandon their sacred August holiday to avoid the traffic restrictions and police mobilisation that the combination of Bicentenary and Economic Summit will bring.

"I shall be away from July 8 to 28," announced the chairman of one major bank, who has refused a number of offers of grandstand seats for the July 14 parades.

"Since all the policemen in France will be in Paris for the Summit, we are going to the country to make sure no one burgles our cottage," declared another.

The departure promises to be no picnic, however. The taxi drivers of Lyon, astride the main A6/A7 motorways towards the south of France, voted yesterday for "snail operations" in support of their claim for an increase in tariffs.

Even before the taxi-drivers set off to block traffic, a 10km tailback had already formed at the Fourvière tunnel, a traditional blackspot, while roadworks a little further south caused further jams.

Adding to the confusion is the launch of two new categories of lead-free "Eurosuper" petrol by the major French oil companies. The unwary motorist, used to the simple choice between regular and super, must now undergo rigorous interrogation at the hands of the petrol pump attendant to find out if his or her car can stomach the new Eurosuper 95 octane or the even newer 98 octane lead-free high-performance fuel.

The new grades of petrol will at least comfort West German visitors, who in past years have cursed France's lack of ecological conscience as they drove miles out of their way to find the sellers of lead-free fuel.

But the greatest threat to health and safety is still the standard of driving. The police were out in force at the weekend, armed with a new radar trap to detect speeding offences and with orders to stamp heavily on bad driving. They will be backed by departmental prefects, by the roadside to confiscate driving licences on the spot.

Atomic agency chief to be named this week

THE French government is expected to announce this week a new head for the Commissariat de l'Energie Atomique (CEA), the institution which spearheaded France's drive to become the world's most nuclear-dependent nation, George Graham reports from Paris.

The council of ministers, meeting on Wednesday, is expected to name Mr Philippe Rouvillois head of the agency, replacing Mr Jean-Pierre Capron.

Mr Rouvillois, who resigned last year as chairman of the state-owned railway company SNCF, is the author of a report on the future of France's nuclear energy policy.

The report, still unpublished, is understood to recommend changes in the organisation of the CEA, which besides responsibility for nuclear research, controls the nuclear fuels company Cogema and owns a 35 per cent stake in the nuclear plant builder Framatome.

Observers have suggested splitting CEA's research division between the Ministry of Defence and Electricité de France, the power generating authority.

BAe shares in Spanish satellite contract

By Paul Betts in Paris

A FRANCO-British consortium led by Matra and British Aerospace have clinched a FFr1bn (£96m) order from the Spanish government to build Spain's Hispasat telecommunications satellite system.

The programme will involve two or possibly three satellites to provide Spain with telecommunications services including direct TV broadcasting, satellite telephone links and military communications.

It is the fourth important satellite order won by Satcom International, the joint company set up to supply communications satellites to the international market. Satcom International is working on the FFr5bn international Inmarsat 2 programme as well as the French Telecom 2 system, worth FFr5bn. The Franco-British consortium recently announced a FFr1bn order for the Locstar European satellite programme.

Matra indicated the Spanish order reflected increasing co-operation between the French company and the British GEC-Marconi group. GEC-Marconi will supply the payload for the Spanish satellite system, giving British industry an overall share of the Spanish programme.

Matra is continuing talks with GEC to establish cross-shareholdings between the French and the UK group; the latter already owns 5 per cent of the French company. Matra is pursuing similar cross-shareholding talks with Daimler-Benz, which holds 5 per cent of the French group.

Giving the green light to Japan

Kevin Done and William Dawkins on easing EC car import curbs

THE European Commission is being naive, maintains Mr Tristan d'Albis, external affairs director of Peugeot, France's leading car maker and currently number three in Europe. By insisting that Europe's restrictions on Japanese car imports be removed by the end of 1992, it is "undressing" in front of the Japanese.

The Commission was going naked into its planned negotiations with Tokyo aimed at securing Japanese agreement on moderating its car sales in Europe, he told a recent Brussels conference on the future of the EC car industry. With a quick change of metaphor he warned: "This is complete disarmament."

The gulf between the European Commission's ambition to break down the protective quotas that insulate some European car markets, and the readiness of countries such as France and Italy to accept such reforms still yawns wide.

It is the French and Italian motor industries that feel they have most to lose. The Japanese penetration of the Italian car market was limited to barely 1 per cent last year and unilateral restrictions imposed by Paris kept Japanese sales in France to only 3 per cent.

Such penetration contrasts sharply with the overall share of 9.2 per cent gained by Japanese cars in the Community as a whole, or their 11.2 per cent share in the whole of West Europe, their almost 30 per cent share of the Efta countries' car markets and a share of over 40 per cent in some small countries such as Ireland and Greece.

The Commission appears to have reached a surprising unanimity in the past couple of months that national import quotas can play no part in the single market post-1992, although officials privately accept that some form of transition period will have to be granted to countries such as Italy and France.

After 1992, restrictions on intra-Community trade will in any case no longer exist, and therefore control over the final destination of vehicles duly imported into one EC member state will be almost impossible to exercise.

While the opposition in southern Europe to the proposed liberalisation of the European car market appears to be still well entrenched, at least the timetable for the Commission's campaign of persuasion is becoming apparent. Mr Martin Bangemann, the outspoken West German liberal, and EC Commissioner for the Internal Market and Industry, has already garnered one significant victory in winning agreement from the 17-man Brussels executive on the broad strategy – though not the details – for establishing a free car market.

During the summer, the Commission will start talks with the Japanese Government and the main European car-producing countries on conditions for opening up the market. The Bangemann plan proposes the abolition of the bilateral import quotas in France, Italy, Spain, the UK and Portugal, as well as the ending of technical and tax barriers to car trade between EC member states. The EC is also ruling out the creation of specific local content rules to govern the content of Japanese cars assembled within the Community.

The period of ideological debate within the Commission appears to have ended with a consensus on extending the EC's internal market plan to the *motor industry*.

Mr Bangemann will visit car producers and the Ministers responsible in the EC countries that operate import quotas. He will discuss a timetable for ending the quotas – the Commission's opening bid is the end of 1992 – as well as the operation of a transitional monitoring system of Japanese imports.

At the same time, Mr Frans Andriessen, Commissioner for External Trade, is to visit Tokyo by late summer to discuss the establishment of the monitoring system, whereby Japan would agree voluntarily to moderate its exports to the EC for an as yet unspecified period after the ending of bilateral quotas. According to Community officials preliminary contacts with Tokyo have indicated that Japan is prepared to accept a transitional arrangement to avoid disrupting the Community market.

This would be a far cry from the firm Community-wide car import quota demanded by the French and Italian Governments, however. According to *Mr François Perrin-Pelletier*, secretary general of the CCMC, the Committee of Common Market Car Makers, the EC's present monitoring of Japanese *car imports is only "soft monitoring"*, which has been unable to stop the inexorable increase in Japanese car exports to the EC.

The European car makers' calls for a freeze on Japanese imports and for reciprocity from Tokyo in terms of improved market access for European cars to the Japanese market have received short shrift in Brussels.

The European industry is itself far from united in its stance, however. At one extreme, France, Italy and Spain, which urge that their volume car makers badly need more time to build their share of Japanese sales and to improve productivity before opening their own markets, are ranged against the northern liberals like West Germany, Britain, Denmark and the Netherlands.

The Bangemann campaign to bring the motor industry firmly into the scope of the single market concerns four main areas, of which the external trade issue is clearly the most important. He is seeking:

● To phase out by the end of 1992 the bilateral import quotas now restricting Japanese car sales in France, Italy, Britain, Spain and Portugal, which together produced 60 per cent of the 12.2m cars made in the EC last year.

A timetable must be agreed by the end of this year, so the process can begin early next, to give EC car producers maximum time to adjust.

From early 1993, Japan would be asked to monitor its EC exports, 9.6 per cent of the Community's 13.2m car registrations in 1988, "for a clearly limited and fixed period", to be followed by complete market freedom.

A paper produced by Mr Bangemann and endorsed by Mr Andriessen and Sir Leon Brittan, Competition Commissioner, says this clearly shows "Europe's will to be a partner rather than a fortress". It warns, however, that "it should be emphasised that the Community's willingess to be open must be clearly reciprocated by the conduct of international trade in fair conditions, as controlled by anti-dumping regulations".

● To make it possible for cars to obtain a single EC-wide technical approval for the first time. This process was started in 1970, with a plan for 44 voluntary technical directives covering all aspects of car design, of which 41 have been adopted by member states. But it was blocked by France 12 years ago because of fears that Japan would be the first to benefit.

The remaining three, covering windscreens, tyres and towing weights will be tabled *by the Commission by the end* of the year for subsequent adoption by EC Governments. Proposals will follow early in 1990 to make the whole set *mandatory, so that differing* national requirements could no longer co-exist alongside EC ones.

● To reduce national disparities in Value Added Tax and other kinds of car tax. This could mean pulling cars out of the Commission's indirect tax proposals, which are making slow headway in the Council of Ministers. The Commission would take direct action case by case to ban or cut additional purchase and registration taxes like those charged in Greece and Denmark. Taxation levels on car sales differ widely from state to state within the EC and range from 12 per cent in W Germany to more than 200 per cent in Denmark and Greece.

● To ensure that there will be no specific local content rules to be observed by EC-assembled Japanese cars as a condition for investment or for access to the Community market. This has already annoyed France and Italy, following their abortive attempts to use local content criteria to restrict the sale of British-made Nissans in their countries.

● To ensure that car industry investments are governed by strict controls on state aid, whatever the nationality of the company. Since the beginning of the year all state aid to the *motor industry exceeding* Ecu12m (£8.1m) must be notified to the Commission for approval, a major reason for Toyota opting earlier this year to eschew any state financial support for its planned £700m car plant in the UK.

The Commission is moving fast to try to win over reluctant member states to its plan, in the belief that the present record level of new car demand in West Europe offers a unique and possibly short-lived window of opportunity.

European car makers are still behind in productivity, however, according to the Commission, reflecting the extent to which the market has been insulated, say economic liberals.

At a first trial of the Bangemann policy at a meeting of EC Industry Ministers a week ago, Mr Roger Fauroux, French Industry Minister, told his 11 colleagues that he could agree to end national limits on Japanese car imports only if the industry was allowed an open-ended transition period.

His scepticism was shared by Italy which warned against opening the floodgates to Japanese competition.

The Commission accepts that the motor *industry's* well-being has a vital impact on a whole range of upstream and downstream industries and services and that it supports perhaps 10 *per cent of EC* employment. How to ensure that well-being is guaranteed to provide one of the EC's most important political battlefields

1992 THE EUROPEAN MARKET

SHIPPING REPORT

Business slow in main tanker loading areas

By Kevin Brown, Transport Correspondent

BUSINESS was slow in the major loading areas for tankers last week, and brokers said a significant recovery in the coming week was unlikely because of a holiday period in the US.

However, rates in the Middle East Gulf were not expected to decline too much in view of the relatively small amount of tonnage awaiting fixtures.

Few deals to the West were reported last week, but cargoes of 240,000 tons were being traded from the Gulf to South Korea at NWS 60 and to Taiwan at NWS 58.

The North Sea and Mediterranean sectors were also quiet, and the UK/Continent trade was said to be virtually non-existent. However, a US oil major fixed a ship of 135,000 tons from Sullum Voe to the US Gulf at NWS 85.

Rates for the cross-Mediterranean voyage *continued at* around NWS 105 for 80,000 tons with five points discount for the longer trip to north-west Europe. One charterer paid NWS 92.5 for a 120,000 tons cargo from Sedi Kerir to Spain.

There was more activity in the dry cargo market, where rates for the Pacific round trip moved up to between $9,800 and $11,500. However, the pickings were extremely thin for handy size ships and 'tweendeckers.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	May '89	Apr.'89	Mar.'89	May '88	% change over previous year
W. Germany	105.2	104.8	104.3	102.0	+3.1
France	115.3	114.9	114.2	110.4	+4.5
Italy	128.2	127.7	126.9	120.0	+6.8
Netherlands	102.4	102.4	101.9	101.4	+1.0
Belgium	109.5	109.4	108.6	106.3	+3.0
UK	126.1	125.3	123.1	116.4	+8.3
USA	117.4	116.7	115.9	111.4	+5.4
Japan	105.7	105.1	103.6	102.3	+3.3

Source: (except US) Eurostat

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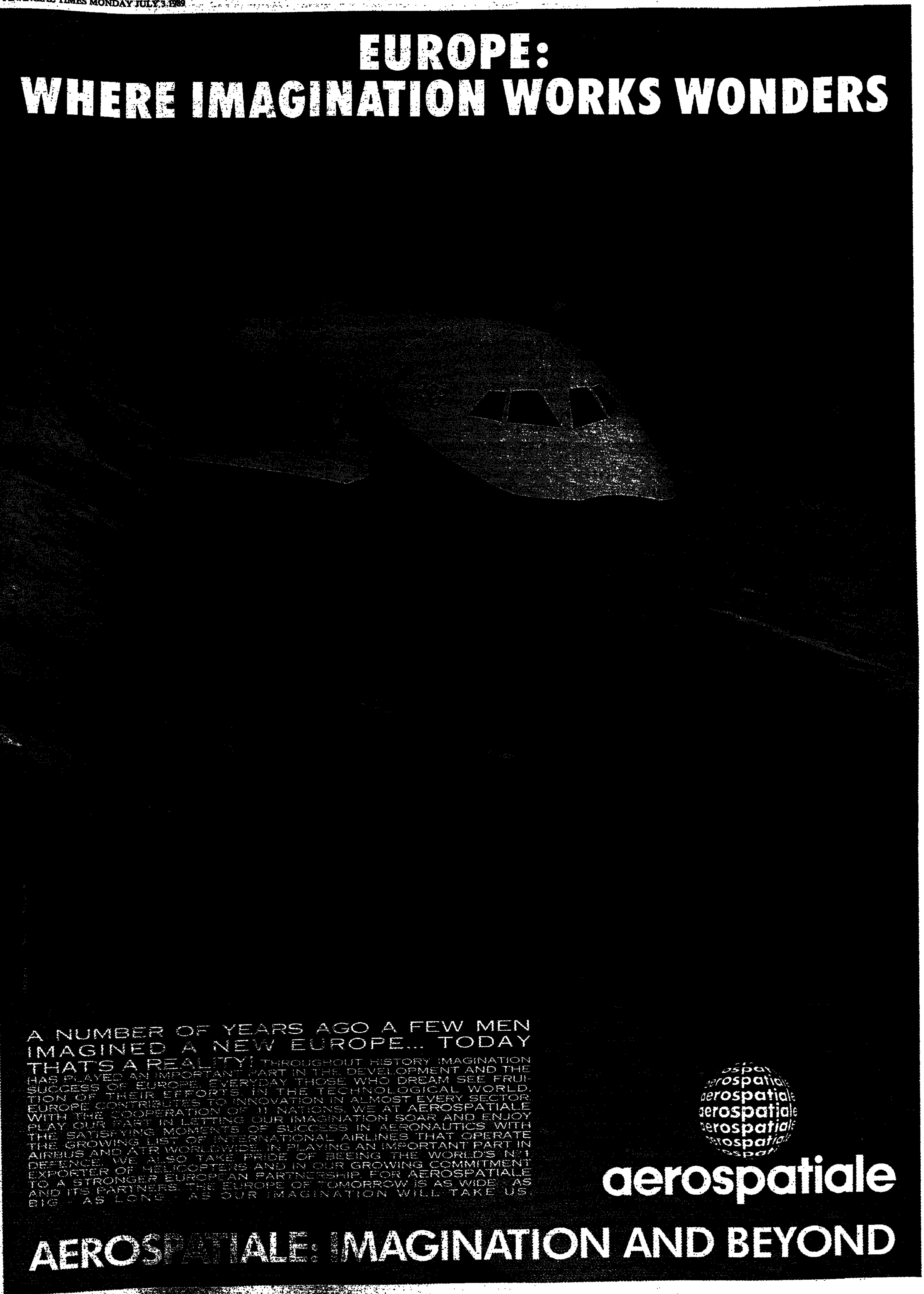

EUROPE:
WHERE IMAGINATION WORKS WONDERS
A NUMBER OF YEARS AGO A FEW MEN
IMAGINED A NEW EUROPE... TODAY
THAT'S A REALITY! THROUGHOUT HISTORY IMAGINATION
HAS PLAYED AN IMPORTANT PART IN THE DEVELOPMENT AND THE
SUCCESS OF EUROPE. EVERYDAY THOSE WHO DREAM SEE FRUI-
TION OF THEIR EFFORTS. IN THE TECHNOLOGICAL WORLD.
EUROPE CONTRIBUTES TO INNOVATION IN ALMOST EVERY SECTOR.
WITH THE COOPERATION OF 11 NATIONS. WE AT AEROSPATIALE
PLAY OUR PART IN LETTING OUR IMAGINATION SOAR AND ENJOY
THE SATISFYING MOMENTS OF SUCCESS IN AERONAUTICS WITH
THE GROWING LIST OF INTERNATIONAL AIRLINES THAT OPERATE
AIRBUS AND ATR WORLDWIDE. IN PLAYING AN IMPORTANT PART IN
DEFENCE. WE ALSO TAKE PRIDE OF BEEING THE WORLD'S N°1
EXPORTER OF HELICOPTERS AND IN OUR GROWING COMMITMENT
TO A STRONGER EUROPEAN PARTNERSHIP. FOR AEROSPATIALE
AND ITS PARTNERS. THE EUROPE OF TOMORROW IS AS WIDE - AS
BIG - AS LONG - AS OUR IMAGINATION WILL TAKE US.
aerospatiale
AEROSPATIALE: IMAGINATION AND BEYOND

UK NEWS

Society's shares offer spurs wide interest

By David Barchard

THE SHARE offer for Abbey National, the second largest UK building society now in the midst of a Stock Exchange flotation, was subscribed 2.7 times over, the society announced yesterday.

Abbey National, which like other building societies is a savings institution the primary business of which is home loans, yesterday described the response as unprecedented for an offer which was open to neither institutions nor the general public.

Only members and staff of the society could apply for the offer which was in addition to an issue of 100 free shares to each qualifying saver and borrower with the society.

Members applied for more than 2bn shares and subscribed £2.6m, well above the most optimistic forecasts, though only 1.6m of Abbey National's 5m applied for the extra shares. The level of response means that around 500,000 of the applications for extra shares will have to be scaled down.

Abbey National said yesterday that all applications for up to 600 shares will be met in full, but a flat 775 shares will be issued to anyone who applied for 800 shares or more. By handling the scaling down operation in this way, Abbey National is probably being as generous as possible to the larger applicants.

Share certificates are due to be posted on Monday 10th and Tuesday 11th July. They will incorporate refund cheques where necessary and will consolidate all shares owned by a particular individual in a single share certificate.

Transport unrest prompts threat of new strike curbs

By Philip Stephens and Jimmy Burns

THE UK Government yesterday threatened the possibility of new curbs on strikes in the public sector as it prepared to unveil plans to provide additional car parking in London to ease the impact on commuters of weekly transport strikes.

Another day of transport disruption appears in prospect on Wednesday despite a direct appeal from Sir Robert Reid, British Rail's chairman, to 135,000 rail staff not to back a further 24-hour strike. Strikes on London Underground are also likely to proceed.

Mr Paul Channon, the Transport Secretary, is expected to announce that if Wednesday's planned strikes by British Rail and London Regional Transport workers go ahead, London's Royal Parks will be opened as car parks.

He also plans to encourage park-and-ride schemes to bring commuters by coach from the suburbs into the centre of the capital and to seek to promote car-sharing by those travelling into London.

The measures will follow a threat yesterday by Mr Norman Fowler, the Employment Secretary, that the Government is keeping its options open on legislation to end disruptive industrial action in key public services industries.

Mr Fowler told BBC Radio that the right to strike could not be regarded as unqualified and added: "I am not ruling out options as far as public service strikes are concerned." He hinted that the ministerial committee guiding the Government's response to the dispute was looking at the possibility of legislation in the Autumn.

Mr Fowler's remarks echoed similar sentiments expressed by Mrs Margaret Thatcher, the Prime Minister. They failed, however, to dispel considerable scepticism among some other ministers and among senior Whitehall officials over whether it was practical to outlaw such strikes.

Mr Norman Willis, general secretary of the Trades Union Congress, the union federation, said yesterday that the rail dispute had got Government ministers "scampering around like headless chickens, out of touch with both rail travellers and the workers in the industry."

He accused the Government of orchestrating a campaign "of a particularly nasty kind" aimed solely at setting the public against rail workers. The only way out of the dispute was by ending the low pay which undermined morale.

The National Union of Railwaymen is today expected to confirm that it is rejecting BR's offer of talks on the grounds that it is too vague.

Unions differ over Town Hall strike action

By Jimmy Burns

UNIONS representing over 600,000 white-collar workers in local government have divided over tactics on the eve of tomorrow's one-day stoppage called by Nalgo, the biggest union in the sector.

Nalgo is hoping that the threatened action over pay and bargaining procedures will cause widespread disruption.

However, the impact of the threatened stoppage may be lessened as a result of the decision of local government white-collar staff in other unions to vote not to go on strike.

Power sell-off runs into problems over costs and profits

By Max Wilkinson, Resources Editor

THE UK Government is facing serious difficulties in its plans to sell off the electricity industry as a result of rising estimates of the cost of nuclear power and worsening disputes within the industry about the sharing of profits and risks.

The Government is also embarrassed by fears that privatisation will bring sharp price rises to the largest industrial consumers.

The present deal which gives them low prices on the basis of specially allocated cheap supplies from British Coal would be unattractive to private sector electricity companies and probably contravenes EC and British competition rules.

In addition, Mr Cecil Parkinson, the Energy Secretary, faces the bleak possibility that potential entrants to the electricity generating market will be frozen out by a more aggressive stance recently taken by the established players.

As one senior figure in the industry commented: "It is like the battle of the Somme", with the industry fighting back and forth, inconclusively over the same territory but with different armaments.

Another senior executive close to the issues said: "The genie is out of the bottle now. Last summer it seemed as if the system would be carved up quite tidily between the generating companies and the 12 distributors, but that model has been upturned."

The main reason for this turmoil is that National Power, which is to be given 70 per cent of the nation's power stations including the nuclear plant and PowerGen, which inherits the remainder, decided a few months ago to move aggressively into the retailing of electricity to industrial and commercial consumers.

This is a job now done by the 12 area boards, which are to become private distribution companies. Early models of how the new system would work assumed that the boards would continue to supply all but the largest industrial customers, at least for some years.

The generators' main business would then be to supply power to the boards through scores of station by station contracts. National Power, however, objected to taking a subservient role in which its plant would be so tied up by contracts, that it was unable to compete in the industrial market. And PowerGen has followed suit.

It demanded the flexibility on the contract system which would allow it to compete, pointing out that factories and commercial premises would not otherwise get the lower prices to be expected from competition.

The area boards have retorted that once the two generators establish a position in the industrial sector they could use their market power to keep out the new independent generators, which the Government is keen to see established. According to this view the more protected system first envisaged would allow boards to sign long term contracts with independent generators. But the uncertainties of competition now put these in jeopardy.

At the same time, National Power has come under sustained attack from the rest of the industry for trying to take what is seen as an excessive share of the industry's cash flow for its nuclear business.

This presents Mr Parkinson with an especially difficult decision, because the industry's latest internal estimates suggest that the costs associated with eventually decommissioning the nuclear plant could be between £2.5bn and £4.5bn, much higher than previously believed. Some estimates suggest that nuclear power could cost as much as 6p to 7p per kilowatt-hour.

Under the Government's plans all reasonable costs of the nuclear programme will be passed straight on to consumers, to be paid in the form of a nuclear levy.

National Power wants the levy to be set at a figure which would give it a nuclear revenue of about £250m per annum. This would value the assets at about £5bn assuming a 5 per cent rate of return; however the rest of the industry is complaining this would result in an excessively high levy, perhaps 20 per cent or more.

One option for Mr Parkinson is to order a large immediate write-down in the value of the nuclear assets, and accept that the Government's proceeds from the sale would be correspondingly meagre.

The prospect of fierce competition and lower prices in the industrial market could, at the same time, reduce the value of non-nuclear power stations, especially if competition unearthed a greater surplus of plant than the industry cares to admit to.

TSB Group poor results followed by reshuffle

By David Barchard

TWO SENIOR figures in the TSB Group, the UK retail bank, Mr Leslie Priestley, chief general manager for England and Wales, and Lord David Cobbold, formerly of Hill Samuel and now head of the group's newly unified treasury operations, are to go as part of a shakedown inside the bank after disappointing interim results last week.

Mr Priestley, who joined TSB four years ago from Barclays and has presided over the transformation of TSB's operations from a savings bank into a broadly-based retail bank, said yesterday that he would be retiring from the group on September 30 after his 58th birthday.

"However I shall not retire professionally, indeed I hope to remain active in banking," he said, emphasising that he was proud of what he had achieved at TSB.

Mr Priestley will not be replaced and his departure signals a victory for moves by Mr Don McCrickard, TSB's head of banking, to consolidate TSB's widely-flung banking operations in a single tight structure under his command. Mr McCrickard appears to have won the backing of Sir Nicholas Goodison, the former chairman of the London Stock Exchange who took over as TSB chairman in January.

Mr Priestley, who is based in TSB England & Wales's head office in Lombard Street and not in the group head office in Milk Street, has looked increasingly remote from the changes under way in the group over the last year.

This perhaps made him the most suitable candidate for sacrificial victim when last week's results showed TSB's profits down by more than a fifth in the first half of this year.

News of Mr Priestley's departure comes less than a week after LEK, the consultancy group, submitted a report on the future of group and its operations which is believed to have come down in favour of more integration. The report followed an earlier one last year by McKinsey's.

Lord David Cobbold's departure comes only nine months after the treasures of TSB and Hill Samuel were merged, under the leadership of the old Hill Samuel Treasury team.

TSB Group officials would not comment yesterday, except to confirm that the two men were to leave. "A number of changes are on the way and they will be announced in due course," a spokesman said.

Schroder heads merchant bank advisers in UK

By Nikki Tait

SCHRODER WAGG has taken up the running as Britain's leading merchant bank adviser during the first half of 1989.

The bank advised on 12 bids for UK publicly quoted companies completed in the six-month period with a combined value of £6.14bn, according to FT Mergers and Acquisitions, which is published by Financial Times Business Information.

Schroders is followed by Lazard Freres New York, advising on only two bids but worth £5.2bn. S. G. Warburg, which headed the league tables in the first three months of 1989, slipped into fourth place with 10 bids worth £4.14bn.

The figures, however, are largely determined by the banks' involvement in a small number of "mega-bids".

UK NEWS

Industrial gas tariffs 'will lead to waste'

By Maurice Samuelson

MANY INDUSTRIAL and commercial users of gas say they are being forced to burn more to secure a lower price from British Gas at a time when the Government is calling for more careful use of energy.

A survey of non-domestic customers to be sent to MPs and to Ofgas, the gas consumers' watchdog body, concludes that a system of new price schedules will lead to an unnecessary consumption of some 400m therms a year – about as much as is used by all the households in Wales.

The survey was carried out by EIC Premis, a fuel price monitoring consultancy used by some 200 corporate energy users.

It blames the waste on the changes introduced in British Gas's pricing structure as part of its response to a critical report by the Monopolies and Mergers Commission.

More than half of EIC Premis's clients are significant users of gas, with a combined burn of more than 1bn therms a year.

British Gas's new price schedules were introduced after the MMC's criticism of the secrecy surrounding its negotiations and terms for contract customers.

When it published them in March, British Gas said that 12,000 customers would end up paying less than before and that 8,000 would eventually pay more. Price changes, it said, would vary widely with the bulk, being in the range of 2p a therm.

However, EIC Premis says its own gas-burning clients will face an estimated increase in their combined costs of 5.4 per cent once the schedules are fully implemented. Partial relief may be obtained by buying more to achieve a lower price, but that practice threatens to undermine efforts to become more energy-efficient.

The difficulties are most pronounced for interruptible customers whose supplies can be suspended to help to meet peak demand by domestic users and others dependent on firm supplies.

The incentive to burn more in order to pay less particularly affects customers with premises using less than 25,000 therms a year and which remain on the same tariff rates as domestic users.

EIC Premis proposes three changes to help interruptible gas consumers:

- Return to individual negotiation;
- Retain the published schedules but allow competitive rebates, as in the oil industry;
- Allow multi-site customers to amalgamate their gas orders and so enjoy the benefits enjoyed by bigger consumers.

Policy shift urged to fight global warming

By Maurice Samuelson

CHANGES to the Government's energy policy were described yesterday as vital in the battle to reduce the harmful "greenhouse" effect of carbon dioxide gases in the atmosphere.

The London-based Association for the Conservation of Energy called on the Government to adopt energy-saving measures without which, it claimed, carbon dioxide emissions were likely to increase by 20 per cent, to as much as 108m tonnes a year.

Scientists believe the warming effect of the gas, produced mainly from coal and oil-fired power stations and car exhausts, will lead to a melting of the polar ice caps, and the consequent rise in sea levels with disastrous results for low-lying countries.

To avoid that, all the nations of the world must act together, with Britain giving a lead with a co-ordinated plan of relatively low-cost measures, the association said.

Presenting the plan, Mr Andrew Warren, the association's director, said: "Our research demonstrates clearly that in the UK at least, far from requiring draconian changes to our lives or relying upon risky, unproven technology, the initial target of 20 per cent reductions in carbon dioxide can be achieved, but only if the political will is there."

Implementing the association's programme would mean creating thousands of jobs in manufacturing and installing energy-saving equipment.

As many of the least energy-efficient homes and factories were in urban areas, that would also help to regenerate run-down inner cities, the association said.

Public transport should be improved for commuters to reduce reliance on cars. Use should also be encouraged of new fluorescent light bulbs, which are up to 80 per cent more efficient than traditional incandescent bulbs.

The association added that if Britain did nothing, emissions of carbon dioxide gases would continue to increase.

Legislative juggernaut proves a fast mover

Ralph Atkins finds remarkable lack of friction in the Finance Bill's committee stages

FOR WHAT is usually a lumbering legislative juggernaut, this year's Finance Bill has left bystanders gasping.

The mammoth, record-breaking 180-clause bill, which introduces changes announced in the Budget, completed its committee stage on Thursday night with the speediest of getaways.

MPs were in agreement that it was, even by the standards of finance legislation, a boring, uncontroversial bill – the ugly baby of a deliberately cautious Budget. The dust was hardly unsettled as it passed through its committee stage.

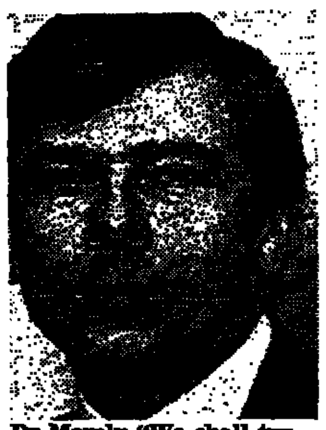
Yet it was an enormously wide-sweeping and complex bill, incorporating radical changes in specialist areas.

MPs debated the bill twice a week for nearly two months. It was an opportunity for the kind of lobbying and debate that might take place if the build-up to the Budget was not surrounded by secrecy. But, from a party political perspective, much was anodyne.

The main clause on health insurance for people aged over 60 was taken on the floor of the house. And what Labour MPs really wanted to debate was not in the bill at all: the lack of any changes in income tax, National Insurance contributions and excise duties on alcohol and tobacco.

There were some highlights. Notably, the bill made changes to the tax treatment of pensions. There was also some controversy about "close companies", life assurance and VAT on non-domestic construction.

None of the changes, alas,



Dr Marek: "We shall try to help the Government"

Norman Lamont: "I could speak for both sides"

was likely to blow the socks off even the most fanatical of Finance Bill fans.

The response of the committee members was to be overtly amicable. Dr John Marek, a Labour treasury spokesman, said from the start: "We shall try to be co-operative and help the Government . . . We shall try to improve it, on a co-operative basis."

Down an obscure clause on close companies, confusion was never far away. "I can make speeches from the opposition benches as well as from the Government benches," admitted Mr Norman Lamont, Financial Secretary to the Treasury, at one point.

Nominally in charge of the government and opposition teams were Mr John Major, Chief Secretary to the Treasury, and Mr Gordon Brown, his Labour shadow. Both were noticeable for their poor attendance. Without them, cheerful repartee, not verbal broadsides, sallied forth from one side to the other.

Large sections of the bill were raced through. It meant nimble footwork for the teams of civil servants specialising in particular clauses and who sit in attendance ready to brief ministers. At times it was like a Keystone Cops film, as grey-suited tax experts scrambled past each other while the committee hared down long stretches of legislation.

For the Government, the bill's smooth passage was welcome. The bill had been an opportunity for Mr Nigel Lawson, the Chancellor, to empty the cupboard of tax changes awaiting legislation.

For Labour, many of the changes were in line with its own proposals for simplifying the tax system and removing scope for avoidance. Amendments made during the committee's deliberations were mostly technical, often correcting drafting mistakes.

Chief architect of many of the changes was Mr Norman Lamont, 47 and tipped for promotion in the next Cabinet reshuffle. The bill was an opportunity for him to display his competence across a broad range of highly technical subjects.

Behind him, however, on the government backbenches, stardom was tougher. Places on the finance bill committee are eagerly sought by aspiring backbenchers, with demand for places exceeding supply. Anybody dropping into proceedings would have found it hard to see why.

Unlike previous years, there was little scope for mischievous interventions to unsettle the opposition. Their presence was required at all times no matter how uninteresting the subject matter. Occasionally, the committee would sit from 4.30pm until beyond midnight.

The scope the bill gave for speaking on special subjects is one explanation for their enthusiasm.

The House of Commons register of members interests shows that five of the Conservative MPs on the committee were members of Lloyds. There were also consultants to City institutions, the Brewers' Society and a tax adviser to the Building Employers Confederation.

The bill was an opportunity to exercise debating skills, attract attention and bathe in the nitty-gritty of House of Commons procedure. In 1980s politics, it seems, it is not pamphlets on liberty that make reputations but detailed understandings of schedules on deep gain securities.

Conservative MPs appeared anxious not to rock the boat too much. A notable example was a clause moved by Mr Julian Brazier, MP for Canterbury, to introduce a scheme giving the armed forces tax relief on savings earmarked for house purchases.

It was a cause for which Mr Brazier had lobbied hard, sounding out the Treasury and Ministry of Defence and supporters within the party. But when the crunch came, past midnight on the tenth sitting, he bowed to soothing talk from Mr Lamont and withdrew the clause.

The finance committee has also become a starting point for upwardly mobile Labour MPs. It was a launch pad for Mr Tony Blair, currently Labour's energy spokesman, as well as Mr Gordon Brown. Last year's Labour whip, Mr Adam Ingram, MP for East Kilbride, rose to become Parliamentary Private Secretary to Mr Neil Kinnock, the Labour leader.

This year's proceeding must have been a disappointment. The turnout on the Labour backbenches was sometimes thin. If there was no prospect of controversy or a chance to defeat the Government, Labour MPs were given the night off.

There is some consolation. Treasury ministers believe next year's Budget will not be as heavily laden with technical measures. Spiced with controversy, it could lead to the Finance Bill skidding – and give a more hands-on role to the Finance Bill committee.

New stockbroker aims at smaller companies

By Nikki Tait

BEESON GREGORY, an independent stockbroking business, is due to start operating today. It will specialise in smaller companies – in general those capitalised at under £100m.

The business has been set up by Mr Andrew Beeson and Mr John Gregory, formerly with Capel Cure Myers, the stockbroker. In the Big Bang marriage whirl, CCM came under the parentage of Australia and New Zealand Banking Group, but already had an established reputation for being active in the smaller companies and new issues.

Both Mr Beeson and Mr Gregory left ANZ McCaughan in January. A number of other former CCM colleagues have since left and are joining the new broking business.

Beeson Gregory will concentrate on institutional sales, rather than the private client market, and on corporate finance and new issues.

Lonrho rejects plan for Independent-Observer link

By Raymond Snoddy

LONRHO, the publishing and trading conglomerate, has rejected an approach from The Independent to set up a joint company with the Observer to operate a Sunday newspaper that would call on the journalistic skills of both titles.

Mr Andreas Whittam Smith, editor and chief executive of The Independent, approached Mr Donald Trelford, editor of the Observer, proposing a company to give the Observer the economic benefits of seven-days-a-week production.

The Independent wanted majority control of such a company. Had the project gone ahead, there was a clear possibility of redundancies among Observer journalists.

Mr Trelford said yesterday: "There was a recent approach from The Independent proposing a jointly owned Sunday paper, which I conveyed to Lonrho [owner of the Observer]. They are not interested in the proposal, and that is the end of the matter."

A special Lonrho board meeting is being held today but the possibility of links with The Independent is not on the agenda. The meeting has been called to consider comments by the Observer's independent directors that the paper's reputation has been tarnished by the amount of coverage of the battle for Harrods and the timing of a special mid-week edition on the Department of Trade and Industry report on the takeover battle.

The directors did, however, reject allegations that the series of articles concerning Middle East arms deals had been written at the behest of Lonrho.

The latest conversations about possible links between The Independent and the Observer are clearly directly related to the arrival of the Sunday Correspondent, the quality Sunday being launched on September 17.

Mr Whittam Smith has set up a working party to produce "dummy" editions of a Sunday Independent.

Scudder to open London office

SCUDDER, Stevens & Clark, the New York investment management firm with assets of $40bn (£25bn) under supervision, is to open a London office early this month.

The office will be Scudder's first in Europe. It has had a subsidiary in Tokyo since 1987.

Scudder became a member of Imro, the UK investment management regulatory organisation, last month and has been given initial authorisations to manage investments for institutional portfolios.

UK NEWS

Ford plans extra capacity at Bridgend engine works

By Charles Leadbeater and Kevin Done

THE LONG-TERM future of petrol engine production at Ford's plant at Dagenham, east of London, may have been thrown in doubt by the company's decision to increase production capacity at the engine plant it is building in Bridgend, South Wales, union officials believe.

The Bridgend plant, which is due to come into production in summer 1991 after an investment of £725m, was intended to have the capacity to produce 850,000 engines a year.

However, shop stewards at the plant have been told that the company is building in spare capacity that could allow output to be increased to 1.3m engines a year in the second phase of the investment.

Plans for the plant, which will manufacture a new generation of multi-valve, lean-burn, petrol engines for the 1990s, were announced in October.

Union officials have been told that the Bridgend plant, which will employ about 700 people in addition to the 1,500 employed at the existing engine plant, may make engines for the new generation Sierra, a front-wheel-drive car due to be launched in the early 1990s, and the Transit van, as well as for the Escort and Orion ranges.

Any increase in production at the Bridgend plant might affect Dagenham, which has already suffered this year in the decision to transfer UK production of the Sierra from Dagenham to Genk, in Belgium, by next summer.

Union officials believe that Dagenham, which was opened in 1931 as the largest car plant outside the US and which currently employs about 2,300 people, may become a relatively small plant by the mid 1990s, producing a single model range, the Fiesta, and a limited range of engines.

The company has recently invested £157m in the Dagenham engine plant to manufacture a new two-litre DOHC (double overhead camshaft) engine, the first twin-cam engine produced by Ford in Europe, for use in its Sierra and Granada/Scorpio ranges.

The company insisted at the time of the investment that the engine would be produced for at least 10 years. Union officials at Dagenham have been told the engine will have a life of between four and six years, because it will be overtaken by the technically superior engines to be produced in Bridgend.

The Dagenham plant also produces the labour-intensive Dover diesel engine for Iveco-Ford's Cargo trucks. Union officials said they expected the engine would be phased out in 1991, but the company had not yet said whether it would be replaced by new investment at Dagenham. The plant is also the sole European source for all Ford diesel engines.

Engine production at Dagenham rose last year to 325,823 – of which 92.3 per cent were diesels – from 289,689 in 1987. Car diesel engine output increased to a record 205,641, while production of the direct-injection diesel for the Ford Transit van range jumped to a record 95,070.

In a further blow to Dagenham's prospects, Ford has cancelled plans to invest £60m in a Triaxis press for the plant's press shop. Such a press is being installed at the Halewood assembly plant on Merseyside.

Gloom over exports of farming machinery

By Bridget Bloom, Agriculture Correspondent

HIGH INTEREST rates and fluctuating exchange rates are making it almost impossible for many British agricultural machinery companies to export, Mr Geoffrey Burgess, president of the Agricultural Engineers Association, said yesterday.

Speaking on the eve of the Royal Show, Britain's premier agricultural event, Mr Burgess said net exports of agricultural machinery worth some £430m last year were seriously at risk. Smaller companies were finding it particularly difficult to cope with the fluctuating exchange rate.

The domestic market for agricultural tractors is already under pressure from farming's declining fortunes, with figures published yesterday by the association showing an overall decline in sales of 12 per cent in some six months of this year compared with the same period last year.

The call for greater exchange-rate stability has also been made by the National Farmers Union, whose president, Sir Simon Gourlay, has called for Britain to become a full member of the European Monetary System. Sir Simon is expected to re-emphasise his union's gloomy prognostications for the future of Britain's arable sector when he visits Warwickshire show grounds tomorrow.

Official figures showed that Britain's farmers last year suffered a 15-25 per cent decline in cash incomes.

Sir Simon argued that farmers have been badly affected by the rise in interest rates as well as by the continuing reform of the Common Agricultural Policy, which is reducing many prices.

Arable farmers have been especially hard hit since they have experienced three poor harvests out of the last four.

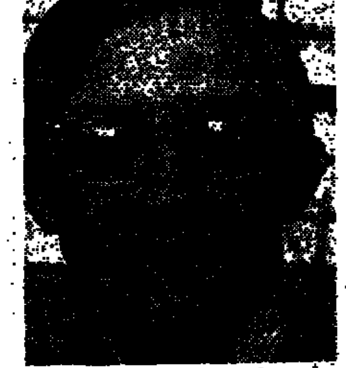
By contrast, dairy farmers have seen a substantial rise in their income over the last four years because of milk production quotas, while the pig and livestock sectors are beginning to experience improved prices.

The Royal has attracted 71 new agricultural companies.

Conflict in costings stirs a row

David Thomas on disparate estimates for the student loans scheme

THE ROW over the Government's controversial plans for a student loan scheme has recently centred on the question of cost. Widely differing costings for the scheme, due to be introduced in October 1990, have been quoted by ministers and their critics.



Robert Jackson: critics dispute operating costs

Mr Kenneth Baker, Education Secretary, has told the Commons that the cost of operating the scheme in 1995 would be up to £14m.

By contrast, Mr Nicholas Barr, senior lecturer in economics at the London School of Economics, has predicted that the scheme's annual operating costs would reach £148.5m by the year 2006. Mr Barr's figures have been repeated as credible by the Labour Party and by some newspapers.

The Government's figures portray the scheme as reasonably cost-effective; its critics' calculations make it look hopelessly extravagant. Reputations are at stake – an aspect illustrated by the personal abuse to which both sides are stooping.

Mr Robert Jackson, Minister for Higher Education, accused Mr Barr of publishing "wild and fanciful" figures. Mr Barr said anyone believing Mr Jackson was as gullible as the minister's own backbenchers.

Attempts to clarify this bitter dispute have been hampered because the Government and the banks, which are expected to run the scheme, have refused to publish the one detailed study of its costs. That study – prepared by consultants at Price Waterhouse for the clearing banks – has been seen by the Financial Times.

Mr Barr's prediction of £148.5m in annual administration costs rests on his assertion that it will cost an average of £60 per student to recover debts once the scheme is fully mature. He bases his figure on two different arguments.

Mr Barr says a clearing bank official told him that the figure of £60 was present in, or could be derived from, the Price Waterhouse report.

In fact, Price Waterhouse does not mention a debt recovery figure of £60 a student. At only one point does it seem possible to derive that figure.

Using information supplied confidentially by a bank, the consultants illustrate the costs of referring a small minority of graduates defaulting on average loans of £1,000 to debt collection agencies. The report says such agencies recover 30 per cent of bad debts on average and charge a fee of 20 per cent of debts recovered.

That would mean an average fee to the debt collection agencies of £60 – 20 per cent of 30 per cent of £1,000 – for the minority of students referred to debt collection agencies.

It would be a crude error to use that figure to calculate the costs of recovering the debts of all the students in the scheme. Mr Barr says he is sure his source would not make such an error.

RUNNING COSTS OF STUDENT LOAN SCHEME		
(1995, £m)		
COSTS	LOW	HIGH
Staff	3.26	4.8
Bank branch	2.5	3.0
Others	4.616	6.208
Total operating	10.368	14.008
Depreciation	0.827	1.151
Interest	0.537	0.748
Debt agencies	2.78	4.48
Total running	14.51	20.387

Source: Price Waterhouse

The Price Waterhouse costings confirm the figure given to Parliament by Mr Baker of operating costs of up to £14m for 1995. The report details additional expenses that would bring the 1995 running costs up to £20.4m, as shown in the table.

The Department of Education and Science justifies not having disclosed the additional figures by saying they deal with issues – depreciation on start-up costs, interest to participating banks and fees of debt collection agencies – that will not necessarily be dealt with as assumed by Price Waterhouse.

The figures *also* exclude marketing and publicity costs, and those which fall on universities and central government.

When told of the contents of Price Waterhouse report last week, Mr Barr shifted his ground on his first argument. He now maintains that the report is irrelevant to his figure of £148.5m in that it does not deal with costs beyond 1995, when the the number of students covered by the scheme will still be increasing.

That brings us to Mr Barr's second line of argument. He cites several reasons why the real costs of the scheme will be much higher when it is fully mature.

Mr Barr argues that there will be more students in the scheme after 1995. Graduates will have higher average debts, so debt collection costs will escalate because the Government will have to lengthen the repayment term and refer more students to debt collection agencies.

For the Government, Mr Jackson does not dispute some of those points. He concedes that the repayment term – envisaged as five years initially – may have to be lengthened. He says ministers have not yet decided whether to use debt collection agencies. He predicts that take-up will be higher, but defaults lower, than assumed in last November's white paper on the scheme.

However, Mr Jackson strongly disputes Mr Barr's figure of £148.5m. He dismisses it as implausible in that such an amount would presuppose several thousand people administering the scheme – Price Waterhouse estimates a maximum of 269 in 1995.

Mr Jackson will not estimate costings for the scheme when it is *fully* mature, beyond saying it will be substantially less than double the 1995 figure of £14m, because the banking system will be able to handle twice the number of students without doubling costs.

The position appears to be as follows.

The scheme will certainly cost more than £14m a year to administer when fully mature, but Mr Barr's initial use of the Price Waterhouse report to justify his figure of £148.5m does not seem to stand up. The case that the scheme will cost very much more than the Government claims is unproven.

Export sales of £600m in sight from Peugeot Ryton car plant

By Kevin Done, Motor Industry Correspondent

PEUGEOT, the French car maker, is rapidly increasing exports from its assembly plant in Ryton, Coventry, and foreign sales by Peugeot Talbot, its UK subsidiary, might total more than £600m this year.

Output at Ryton is expected to rise by more than a third this year, to around 106,000. A further expected jump in 1990 to some 120,000 will take the plant to its maximum capacity without further substantial capital investment.

Peugeot is considering a big investment at Ryton, which is expected to include a far-reaching modernisation of the plant and a substantial increase in capacity. A decision is expected in the autumn.

About 60 per cent of production will be exported this year, compared with 25 per cent in 1988, after Peugeot's earlier decision to concentrate exclusively on production of the 405 model at Ryton.

Exports are expected to increase to around 65,000 this year, from 24,836 in 1988. Most of the vehicles will go to France and Belgium, but exports also reach about 20 other markets, including Japan, Australia, New Zealand and Singapore.

The UK plant is supplying a third of all the 405 models sold in France.

The Peugeot group has been slow to penetrate the Japanese market, but it is making modest inroads with its 205 and 405 models. Peugeot sales in Japan are expected to more than double this year to around 5,000, including 500 right-hand-drive 405s from Ryton. Last year, the Peugeot group sold 2,360 cars in Japan. Peugeot is aiming for sales in Japan of around 20,000 by the mid 1990s.

However, while Peugeot Talbot is more than doubling its exports from the UK, it is also greatly increasing its imports.

The decision to concentrate exclusively on the production of the 405 at Ryton means that the company is importing from France all the 309s sold in the UK, which were previously assembled at Ryton. Its UK sales of French-built cars were 64 per cent higher in the first five months this year than a year ago at 41,310, while its UK sales of Ryton-built cars were 11.7 per cent lower at 20,545.

Labour will turn to the 'green' voter

By Philip Stephens, Political Editor

THE LABOUR PARTY plans to sharpen up its attempts to attract "green" voters after another national opinion poll showing that it has established a strong lead over the Conservatives.

A Mori poll, published in The Sunday Times yesterday, showed Labour with the support of 47 per cent of the electorate, against the 37 per cent held by the Government, now suffering from the traditional "mid-term blues".

The 10-point lead was the highest recorded by Mori during the present parliament and followed a Harris poll last week showing Labour with an even more commanding lead of 14 points.

This week, Labour strategists will receive a detailed analysis of the Green Party's spectacular success in the European elections, when it captured more than 15 per cent of the vote.

The analysis, commissioned from professional opinion pollsters, will provide a comprehensive breakdown of the past affiliations of the 2m people who voted for the Greens, why they switched, and how they could be persuaded to support Labour.

The strategists believe that the national opinion polls conducted since the European elections suggest that it is already capturing about half of those who supported the Greens as a "protest" in their choice of representatives for the Strasbourg parliament.

The latest Mori poll showed the Greens attracting only 7 per cent of the electorate, with its losses since last month apparently accounting for a 4-point increase in Labour's lead over the Conservatives.

Labour hopes that public disquiet over the environmental impact of the Government's plans to privatise the water industry, and Labour's demands for much stronger energy conservation measures, once the electricity industry is privatised, will reinforce that trend.

Young will challenge pub reform objectors

By Philip Stephens

THE GOVERNMENT will this week challenge Britain's leading brewers to justify their objections to a compromise plan designed to increase competition in the brewing industry.

Lord Young, the Trade and Industry Secretary, intends to finalise later this month his response to recommendations by the Monopolies and Mergers Commission which called for action to end the "complex monopoly" operated by brewers.

It is understood that unless the industry puts up a persuasive case at a meeting with Lord Young this Thursday, the Government will go ahead with the proposals it outlined in mid June.

Those proposals fall short of imposing a ceiling of 2,000 public houses that could be owned by each of the large brewing companies. That plan, suggested by the commission, would require the the six biggest brewers to to sell about 22,000 properties.

Instead, Lord Young is suggesting that the companies should establish an "arm's length" relationship with any of the public houses that they continued to own above that threshold. The houses would be leased to individual tenants, groups of tenants or to independent companies.

The brewers would charge commercial rents for such properties but would be unable to impose the present "tie", which restricts beers andother drinks sold to the owner's products.

The Trade and Industry Secretary believes that the formula could meet the objections of many of the Conservative MPs who opposed forced divestment of property, while meeting the commission's call for increased competition in the supply of beer and other products.

Lord Young is said to be determined to announce a final decision before Parliament rises for the summer recess at the end of this month.

Spitfire crash kills developer

By Kevin Done

MR CHARLES CHURCH, founder and chairman of Charles Church Developments, the Surrey-based house builder, was killed at the weekend when the Spitfire aircraft he was piloting crashed near Blackbushe airport in north Hampshire.

The aircraft apparently stalled and plunged in flames into a field two miles short of the runway. Aviation experts are investigating the crash, which happened on Saturday evening.

Mr Church, 44, had been taking the hand-built Spitfire, one of an extensive collection of Second World War fighters owned by his company Charles Church (Spitfires), on a half-hour test run from his private airstrip.

A flamboyant millionaire property developer, Mr Church was listed among the 200 richest men and women in Britain. He leaves a wife, two daughters and a son.

He was an innovator of mock Tudor and Georgian houses which have enjoyed great popularity.

His fortune had been built during the last 20 years from modest beginnings. In the mid 1960s, with his wife Susanna, a co-founder of the building company and an active director, he sold the family home and moved into a hut to finance their first houses.

In recent weeks Mr Church, disillusioned with the stock market, had succeeded in taking his company private again. The Church family had previously controlled 71 per cent, which he had brought to the market in 1987. At the price of 120p a share offered for the minority equity, the company was valued at £108.7m.

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MANAGEMENT

Manpower resources

Fast track from the shop floor

Michael Skapinker explains how Triplex Lloyd is tapping the potential of its workers

Last year Triplex Lloyd, a UK manufacturing company, put up posters asking its shop-floor workers whether any of them thought they could take responsibility for the livelihoods of 100 men and women.

One hundred believed that they could. They wrote to James Doel, the chief executive, telling him why. About 30 were chosen to go on a 12-week long management training programme.

None is yet managing 100 people. But several are now working on important projects for the engineering, building components and foundries group and are clearly headed for bigger things.

Doel decided to start the programme because he was convinced that many shopfloor employees were more talented than their immediate superiors realised. "People on the factory floor are like lifers," he says. "They have that resignation that comes from not being noticed. And yet most innovation comes from the factory floor or from customers."

Doel also felt it was time to start building for the future. A few years ago some of Triplex's customers wondered whether it could survive. In 1983, the company recorded a loss of £992,000. The number of employees dropped to a low of 1,100. Today, the company — the fruit of a 1987 merger between the Triplex and F.H. Lloyd groups — employs over 5,000 people. In 1988 it made pre-tax profits of £4.6m on sales of £103m.

"Until 1985 our worry was survival. From 1985 on it was growth by acquisition. Now I'd like to think we're looking at things more strategically," Doel says.

Along with many other companies, Triplex Lloyd is also worried that the drop in the number of British school-leavers will make it difficult to find good managers.

Barry Cowing, the group's information technology and systems manager, says: "If you've got a welder, you've got to ask yourself whether you can put him on a totally different track. All businesses in the UK need to recognise that there's going to be a shortage of young people and they have to make better use of the people they've got."

Doel decided to call the training course the Centurion programme — hence the reference to being able to manage 100 people. Entrants to the course did not have to have any educational qualifications.

When the posters went up many on the shop floor greeted them with scepticism. "They thought it was a PR job," says Steve Powell, 23, one of the first batch of Centurions. "That's the view of management held by the workers: that management is there purely to manage the company and not to help people work to the best of their ability."

Powell, however, thought it was worth applying for the Centurion programme. He had spent four years on the shop-floor of Midland Research, Triplex Lloyd's metallurgical services subsidiary. "I wasn't happy to stop there for the rest of my life as some people are," he says.

Jonathan Charlton, 24, had even stronger feelings about where he was; he had already decided to leave the group. He had spent 2½ years working as an engineer at the Lloyds Burton foundry in Burton-on-Trent. "I didn't seem to be getting anywhere," he says. When the Centurion programme was announced he decided to stay with Triplex Lloyd, although he still hoped to move to a different part of the group.

Not all the applicants for the programme felt stuck where they were. Alston German, 23, thought he would eventually be promoted to a managerial position. The problem was that it would take several years to work his way through the ranks. He had been an engineering technician at Triplex Foundry for 11 months and was keen to move up. He saw the Centurion programme as a possible short cut.

All the would-be Centurions were invited to a selection day last July at the Botanical Gardens in Edgbaston. There, they were subjected to various personality tests and team exercises. "We were looking for people who were creative and who were bright," says Prem Sharma, director of group management services.

Those who were chosen for the programme say that their own managers had mixed feelings about their success. "My immediate superiors were very pleased," says Jonathan Charlton. "But had they realised that I wasn't coming back I don't know that they would have been so happy."

L to r: Alston German, Jonathan Charlton and Steve Powell with James Doel to whom they wrote to convince him that they could take responsibility for 100 people

German says his managers realised he was going to move elsewhere in the group and would not be returning to his operating company. "Their reactions ranged from congratulations to silence," he says. He could understand how they felt. "The operating companies are under pressure from the group to perform and here they were losing good people to the group."

Prem Sharma says that Triplex Lloyd made extensive efforts to gain line managers' approval for the Centurion programme. "But it's true that there was resentment," he says.

The first group of ten Centurions began their training course last August. They spent the first two weeks learning about company accounts, leadership and teamwork. Most of the introductory course took place at the Coventry Management Training Centre in Leamington Spa.

They were then split into two groups to carry out a 10-week consulting project within Triplex Lloyd. Alston German's group worked on a market study for two operating companies that had recently merged. Steve Powell's group looked at the strategy of one of the operating companies.

"It must have been very awkward for the operating company; five people off the shop floor who have been given two weeks' training come in and tell them how to turn the company around," Powell says. "But the management were as helpful as they could be."

However, both Centurion groups received an early lesson in how difficult it is to effect corporate change. "Our report hasn't been thrown away," German says. "But unfortunately things haven't settled down in the company as quickly as we'd hoped. They haven't got a director of marketing who can use our report." The report that Powell helped to produce has also been put on a shelf.

"We never thought it would be easy in the first place to get our reports implemented," German says. "You're talking about changing people's attitudes and that's very difficult."

All the same, Powell says, "when you get 30 people off the shop floor and allow them to go around and see how things work, that can only benefit the company in future years."

The next group of nine Centurions began their course last December. The final nine began their programme in May. Doel says he will continue to offer about 30 Centurion places a year.

There have already been some changes, however. The first course was thought to be a bit dry and academic, Sharma says. As a result, the Centurions now spend a week learning about management at Triplex Lloyd and then go on an Outward Bound course before doing their consulting projects.

Doel has also noticed a change in the attitudes of managers in the operating companies. Instead of resenting the loss of a worker to the programme, some managers are now trying to dissuade employees from becoming Centurions by offering them improved prospects in their present companies.

Doel does not think there is anything wrong with that. One of the purposes of the Centurion programme was to say to managers that "you've got this source of untapped talent."

The test of the Centurion programme is, of course, whether participants go on to more senior jobs. "There was a suspicion on their part that they would be dumped back on the shop floor," Cowing admits.

After finishing his course, Jonathan Charlton was offered a job at group headquarters, helping to co-ordinate the relocation of one of Triplex Lloyd's companies.

Steve Powell has been made product manager of a small Triplex Lloyd company set up to distribute US-made crash cushions. The cushions are placed at the sides of roads and motorways at points which have a history of accidents.

The only other employee of Powell's company is his boss, John Bowling. Bowling says he decided to give Powell real responsibility from the start. "One thing that I noticed about Steve was that he was reluctant to make decisions, because on the shop floor someone else had always made the decisions. So I concentrated on getting him to decide.

"I made him the co-ordinator to set up an exhibition stand for a trade fair in Brighton. I gave him some pointers but then said 'get on with it'. It was £2,000 to £3,000 he was spending. He made mistakes, he made some big mistakes, but it was so valuable to get him to make the decisions."

Alston German went straight from his Centurion course to the group's new Executive Selection Programme. The programme was set up by Doel as a fast track for the top Centurions and managers in their 30s and 40s.

As part of the programme German has worked closely with the managing director of the architectural and building components division. He was also seconded to a working party set up to manage the acquisition of Christy Hunt, a castings, electro-mechanical services and car components company, which Triplex Lloyd purchased last December.

Although German is clearly thriving, the Executive Selection Programme is not. "I'd be lying to you if I said it was a fantastic success," Doel says. "The failure rate of the programme has been too high. Some haven't been able to take the pace. A couple have left and some have got side-tracked."

Doel says he still thinks that the executive programme can be made to succeed. The experience has not dissuaded him from offering his employees training opportunities. "Young people's time horizons are so much shorter today. You've got to give them responsibility earlier," he says.

Euro-executives: few and far between

By Michael Skapinker

Saxton Bampfylde International, a group of headhunters, recently attempted to discover whether there was such a person as the Euro-executive – the kind of manager who could lead companies into the single European market.

They found that the Euro-executive does exist. There are not very many of them, however, and the competition to recruit them will be fierce.

Saxton Bampfylde says that senior, board-level Euro-executives barely exist in UK-based companies. Among the younger generation of British managers, however, there is a growing group which is well on the way to becoming effective European executives. If companies do not find ways to accommodate and develop these younger managers, they will go elsewhere and be lost to British business.

Research into the nature and availability of the Euro-executive was carried out for Saxton Bampfylde by SRU, a firm of consultants. SRU surveyed chief executives and managers in 130 British companies and spoke to business school professors, representatives of the European Commission and managers in France, Italy and West Germany.

It found that there are four types of manager on offer to companies which want to operate Europe-wide. None could really be described as an ideal Euro-executive. The four are:

● The Senior Statesmen. These are 45 and older and work for multinationals. They have wide experience and have worked in several countries. They suffer, however, from several disadvantages.

First, they are too attached to their companies and are difficult to prise away. Second, during their foreign postings they are likely to have associated primarily with other expatriates or even with other employees of their own companies. They have often learned little of the culture of the countries in which they have worked.

● The Expatriates. These work for national companies rather than multinationals and have been sent overseas on a posting. Like the Statesmen, they are unlikely to have ventured too far into the cultures of the countries to which they have been posted. They forget everything they have learned soon after returning to Gerrards Cross or Wiesbaden.

● The Journeymen. Usually scientists or researchers with not much in the way of general management skills. They are totally international, but the only language they share with their foreign colleagues is the language of their specialisation.

● The Euro-yuppies. Often products of international business schools like Insead. They are natural Europeans, travelling easily for business or pleasure and with friends in a number of countries. They understand the importance of speaking languages and revel in Europe's cultural differences rather than trying to ignore them.

The Euro-yuppies could grow up to be effective Euro-executives. At the moment, however, their experience is a long way from matching their confidence.

If none of these managers fits the bill, who does? The small group of genuine Euro-executives tends to come from small countries the citizens of which have always had to seek their fortune elsewhere: Belgium, the Netherlands, the Scandinavian countries, even Greece. Among the English-speaking countries, Ireland provides a fair number of Euro-executives.

They have a fluent command of other languages. They have often had line management experience in other countries and have worked for a major multinational (but not for too long).

Euro-executives often have parents from different countries and have gone to school or university abroad. Many also marry someone from a different country, although, judging from the lifestyles of the Euro-executives interviewed, those marriages are unlikely to last very long.

One said travelling around Europe "makes you rather unresponsive in the evenings you do get free. My wife always says I'm a complete zombie."

The Search for the Euro-Executive. Saxton Bampfylde International, 35 Old Queen Street, London SW1. £49.

Glasgow offices scheme

The Scottish region of WIMPEY CONSTRUCTION UK has been awarded a £16m management contract by Tanap Investments for an office development at the junction of Bath, Sauchiehall and Newton streets in the centre of Glasgow.

The building will have a gross floor area of 19,879 sq metres comprising seven floors of office accommodation, with two storeys on top of a bridge deck spanning the M8 motorway, and basement plant and service areas with facilities for parking up to 110 cars.

Profile cut I section beams will span 18.2 metres across the building to external 300mm diameter circular section steel twin columns offering a column free interior space.

Externally, cladding will be provided by composite panels with integral insulation incorporating tinted double-glazed windows with exterior walkways.

The building will be fully air-conditioned and fitted with low glare fluorescent light fittings utilising high efficiency tubes and will include a building management system. The contract is due to be completed at the end of 1990.

Upgrading hospital

MIVAN, the Northern Ireland construction company, has won a £3.5m contract from the Province's Department of Health and Social services to build a 5,250 sq metres geriatric unit for the Gransha Hospital, Londonderry, with associated roads and car parks.

Work will begin immediately, employing 100 people over 21 months.

CONSTRUCTION CONTRACTS

£64m motorway project

A joint venture of ALFRED McALPINE CONSTRUCTION and FAIRCLOUGH CIVIL ENGINEERING has been awarded a £64m contract by the Department of Transport to construct the Waterstock to Wendlebury section of the M40 motorway in Oxfordshire.

The route of the motorway starts at the end of the existing M40 at Waterstock, passes to the east of Otmoor and Bernwood Forest and connects with the section under construction to Birmingham, near Wendlebury.

The work, which is due to start early in July, entails construction of 20 kilometres of dual, three-lane carriageway and hard shoulder: the diversion of side roads and rivers and the construction of two bridges, 12 culverts and interchanges with the A40, A418 an A421. Extensive landscaping, both on and off the site will be provided to make the motorway blend into the landscape and minimise its impact on the environment.

The project, which is scheduled for completion by March, 1991, has been designed for, and will be supervised on behalf of the Department of Transport, by Sir William Halcrow and Partners.

Commenting on the award, Mr Paul Channon, Transport Secretary, said that he was delighted with the response of all concerned to the unique arrangements made to speed up the letting of this contract and to minimise the period between the completion of the northern and southern sections of the motorway.

Hotel building in Docklands

MOWLEM MANAGEMENT has been awarded a £28m contract for a hotel at Arrowhead Quay, Marsh Wall, London E14, by joint developers Wiggins Waterside and the Port of London Properties. The eleven and fourteen-storey Arrowhead hotel will provide 147 bedrooms with bathrooms. The latter will be installed as fully finished "pods" prefabricated off site. Other amenities will include an office suite, restaurant, a roof-level health club and conference suite. There will be underground car parking on four split levels.

Construction comprises a reinforced concrete flat slab structure clad in granite to the floor edges and column faces with two-storey dark brown anodised, curtain walling infill sections. A secant retaining wall will surround the basement. Services will include a fan coil air conditioning system which uses air supplied and extracted through the cladding. The South Quay waterfront wing of the V-shaped structure is being constructed of small diameter piles bored through the dock walls. Work has started on the scheme for completion in the Summer of 1990.

Facilities for iron ore pellet handling

A British consortium - led by construction leader Tarmac - has landed a major contract on the island of West Java, in Indonesia.

An £18m contract has been awarded to the group led by TARMAC INTERNATIONAL (SPECIAL PROJECTS) by P.T. Krakatau Steel for the expansion of iron ore pellet handling facilities for the steelworks at Cilegon. Other members of the group include Babcock Contractors, Rendel, Palmer and Tritton and Standard Chartered Merchant Bank.

The work involves the supply of materials handling equipment including two 750 ton per hour ship unloaders, four kilometres of conveyors, a 1500/1000 tons per hour stacker/reclaimer, and the design and construction management of on and offshore civil engineering works. Work is due to be completed in November 1992.

The contract is supported by the UK Government's concessional loan to Indonesia and is the first construction project to be signed under this facility.

ECGD is guaranteeing a loan of £17.3m to the Republic of Indonesia's Ministry of Finance made by Standard Chartered Merchant Bank. The loan will be softened with the support of the Overseas Development Administration under the terms of the concessional loan arrangement signed in December 1988.

Refurbishing Bedford Square offices

WALTER LILLY & CO has been awarded contracts worth over £9.8m. The largest, a £4.3m contract for The Bedford Estates, is for refurbishment and extensions to 21-25 Bedford Square, London.

Part of the work involves restoration of Nos 24 and 25 from offices to their former glory as elegant London homes. Nos 21-23 will be upgraded and refurbished as a high quality office development. The 1930s extension at the rear will be demolished and replaced by a four-storey extension and an adjacent listed cottage will be retained and refurbished. The office development will provide 1,790 sq metres of space and, together with the new houses, will be available to let on completion.

At Christopher Wren Yard, Croydon, Walter Lilly is to build a four-storey office development under a £3m plus contract for PSH (Christopher Wren Yard). The scheme comprises the construction of four units ranging from 738 sq metres to 1,230 sq metres. Each will have a reinforced concrete frame with brick cladding and tiled pitched roofs.

Under a £1.5m contract, Walter Lilly will carry out extensive alterations and refurbishment to The Innholders Hall at College Street, London. Part of the building is historically important as it survived the Great Fire of London and some of the rooms feature Edwardian and Victorian panelled walls.

APPOINTMENTS

Senior Union Bank of Switzerland posts

■ The UNION BANK OF SWITZERLAND has made the following appointments at its London branch: Mr Timothy Hartshorn becomes vice president and head of project finance. He was vice president, *project finance with Bank of* America.

Mr Jonathan King is made vice president and senior marketing officer. He was deputy vice president with *Credit Suisse.*

Mr Malcolm Watson is appointed vice president and head of commodity finance. He was assistant director with Banque Paribas.

■ CHASE INVESTMENT BANK has appointed Mr Jonathan Rowe as a director and head of gilt sales. Mr Richard Warley-Cummings has become director-UK business development. His responsibilities will include expanding Chase's sterling and multi-currency client base.

■ Mr Brian Adams has joined OLD ROAD SECURITIES, land brokers, as finance director. He was previously a director of Grant Thornton's management consultancy business.

■ DIPHOLD has appointed Mr Nicolas Wright as its first managing director. He was previously group publications director at Marshall *Cavendish.*

■ Mr Ikuo Arai, a director of SUMITOMO CORPORATION and general manager, fuel and carbon division, Tokyo, will *succeed Mr Mutsumi* Hashimoto in mid-July as general manager, Sumitomo Europe and managing director, Sumitomo (UK). Mr Hashimoto has been appointed head of chemicals and plastics division worldwide.

■ Mr Anthony Freeman has joined MERRILL LYNCH in London to lead the European mergers and acquisitions department. He joins Merrill Lynch after 12 years at First Boston where he worked in mergers and acquisitions both in New York and London. He was recently involved in Consolidated Gold Fields successful defence against Minorco.

■ PUMA has appointed Mr Mike Armitage its marketing director and Mr Joe O'Boyle its sales director.

■ Mr Peter Champlin has been appointed managing director of MYNSHUL BANK. He was formerly with the Midland Bank Group.

■ Following the introduction of a divisional operating structure, CROWN HOUSE ENGINEERING has made the following appointments: Mr Ray Balsom has been appointed managing director of the northern division, Mr Ken Escott managing director of the southern division and Mr Bernard Evans managing director of the central services division.

■ Mr Roy Wilson, financial *director of KLEIN GREY, is* joining the board.

■ Mr Barry Sloan has been appointed technical director of BRADLEY LOMAS ELECTROLOK, a part of the Portals Group. He was group technical manager.

■ Mr W.M. Morrison has been appointed chairman of SECURITIES TRUST OF SCOTLAND, of which he has been a director for nine years. He succeeds Mr T.S. Lewis, who has retired.

■ SOLAGLAS has appointed Mr David Peters as marketing director for its building glass operations. He was previously group marketing manager.

■ At PEEL HOMES Mr Aleks Mazurak, sales and marketing manager, has been promoted to sales and marketing director. Mr Tony Holt, accountant, has become joint company secretary.

■ LONDON & PARIS PROPERTY GROUP has appointed the following directors: Mr Patrick Despard, Mr Christopher Dymond, Mr James Hindle and Mr E.W.G. Wills.

■ Mr Christopher Pearson has joined the board of BALFOUR BEATTY DEVELOPMENTS as commercial director. He was previously in private legal practice.

■ JAMES LATHAM has appointed Mr Maurice H. Tyler as joint managing director of its subsidiary company Latham Timber Centres (Holdings).

■ UNICLIFFE has promoted Mr Terry Sylvester, director of operations, to the board.

■ PROVINCIAL BANK has joined the British & Commonwealth Merchant Bank Group. Mr Ron Basher, chief executive of Provincial Bank, will join the boards of BCMB Group and BCMB. Mr Bruce Ursell, chief executive, and Mr Malcolm Wilde, managing director of BCMB, will join Provincial Bank's board.

■ Mr Brian R. Powell has joined HEPWORTH as a director. He is managing director of Hepworth home products division.

■ Mr George Wirgman, finance and administration director of ECS INTERNATIONAL UK, has become finance director.

■ ARC BUILDING has appointed two managers to associate director posts. Mr Hugh Griffith becomes operations director and Mr Dick Larcombe technical services director.

City Solicitors Simmons & Simmons announce the appointment of eleven new partners: John Sirs, John Davies, William Rodger, Jane McKee, Jane Borrows, Mark Hodgson, Christopher Watson, Catherine Whitehead, Roy Montague-Jones, Heather Savage, Simon Pithers.

DIARY DATES

PARLIAMENTARY

Today

Commons: Timetable motion on Lords amendment to the Water Bill and progress on legislation.
Lords: Common Land (Rectification of Registers) Bill, third reading.
Dock Work Bill, third reading.
Transport (Scotland) Bill, committee.
Select committees: Home Affairs: subject: drug trafficking. Witness: Association of Chief Police Officers. (Room 15, 4.15 p.m.)
Public Accounts: subject, the Metropolitan Police Estate. Witnesses: Sir Clive Whitmore, Home Office, and Mr D. H. Hilary, Receiver for the Metropolitan Police District. (Room 16, 4.30 p.m.)
Environment: subject, contaminated land. Witness: Thameside Council. (Room 21, 5.15 p.m.)
Televising of Proceedings of the House: subject, advertising breaks in broadcasts of parliamentary proceedings. Witness: IBA. (Room 8, 6 p.m.)

Tomorrow

Commons: Completion of Lords amendments to the Water Bill.
Antarctic Minerals Bill, second reading. Road Traffic (Driver Licensing and Information Systems) Bill, completion.
Lords: Control of Pollution (Amendment) Bill, third reading.
Local Government and Housing Bill, second reading.
Question to Government on the needs for general practitioner services in the 1990s.

Committees on private bills

: King's Cross Railway. (Grand Committee Room Westminster Hall, 10.30 a.m.) and Wentworth Estate Bill. (Room 5, 10.30 a.m.)

Wednesday

Commons: Opposition debates on "The Crisis in Training" and "Immigration rules and DNA testing."
Representation of the People Bill, committee and remaining stages.
Lords: Electricity Bill, report.
International Parliamentary Organisations (Registration) Bill, third reading.
Employment (Age Limits) Bill, committee.
Select committees: Welsh Affairs: subject, toxic waste disposal. Witnesses: Chemical Industries Association and Max Recovery (Holdings). (Room 18, 10.30 a.m.)
Parliamentary Commissioner for Administration: subject, annual report for 1988. Witness: Parliamentary Commissioner. (Room 19, 10.45 a.m.)
Home Affairs: subject, drug trafficking. Witnesses: Bank of England and Committee of London and Scottish Bankers. (Room 21, 4.15 p.m.)
Consolidation Bills: subject, Extradition Bill. Witness: Mr James Rennie, Law Commission. (Room 4, 4.30 p.m.)
Treasury and Civil Service: subject, international monetary arrangements and international debt strategy. Witnesses: Bank of England officials. (Room 8, 4.30 p.m.)
Procedure: subject, Scrutiny of European legislation. Witnesses: *Ms Joyce Quin,* MP, and Mr Clifford Boulton, Clerk to the Commons. (Room 17, 4.45 p.m.)
Public Accounts: subject, major defence projects. Witness: *Sir Peter Levene, Chief of* Defence Procurement. (Room 16, 5.30 p.m.)
Committees on private bills: King's Cross Railway. (Grand Committee Room Westminster *Hall, 10.30 a.m.)* and Wentworth Estate Bill. (Room 5, 10.30 a.m.)

Thursday

Commons: Estimates Day: *debate on common police services and spending on information technology.*
Human Organ Transplants Bill, remaining stages.
Lords: Water Bill, consideration of Commons message.
Electricity Bill, report.
Motions for approval on Cereals Marketing Act and Fisheries Act Regulations.
Committees on private bills: *King's Cross Railway.* (Grand Committee Room, Westminster Hall, 10.30 a.m.) and Wentworth Estate Bill. (Room 5, 10.30 a.m.)

Friday

Commons: Private members' bills.

Trade Fairs and Exhibitions: UK

July 3-6 Royal Show (0203 696969) Kenilworth
July 4-6 Fluid Power and Transmission Exhibition — FLUIDTRANS (0923 226010) Olympia
July 5-9 London International Antiques & Fine Arts Fair (01-441 8940) Connaught Rooms
July 11-13 International Advanced Material & Process Engineering Exhibition and Conference (04868 21231) NEC, Birmingham
July 14-15 Cash and Carry Fashion Fair (01-727 1929) Kensington Town Hall
July 16-20 Gift Fair (0282 867153) Harrogate
July 17-18 Mobile Satellite Communications Exhibition (01-868 4466) Queen Elizabeth II Conference Centre, London
July 20-23 Antiques and Fine Arts Fair (061-832 9778) G-Mex Centre, Manchester
July 25-30 British Music Fair (01-730 7232) Olympia
August 13-17 Gifts Fair (0473 829858) Hove Town Hall
August 17-20 Antiques Fair (04447 2514) Kensington Town Hall
September 5-8 International Carpet Fair (021-705 6706) Exhibition Centre, Harrogate

Overseas Exhibitions

July 6-8 International Professional Broadcasting Recording Public Address Exhibition — PRO AUDIOASIA (0494 729406) Hong Kong
July 18-19 Cologne Fashion Fairs - International Trend Show (01-930 7251) Cologne
July 25-28 Electronics Products Exhibition — INTERNEPCON/SEMICONDUCTOR (01-948 3900) Kuala Lumpur
July 27-30 International Furniture Fair & Woodworking Machinery &
Furniture Supplies Exhibition (0494 729406) Bangkok
September 3-9 International Autumn Fair (0375 392322) Leipzig
September 4-8 Show of the Nations Exhibition (01-977 3474) Vienna
September 13-14 Pre-Press Exhibition (0373 373151) Copenhagen
September 13-17 International Fisheries Industry exhibition (01-948 3900) Nantes

Business and management conferences

July 3-4 Financial Times Conferences: The outlook for European petrochemicals (01-925 2323) Hotel Inter-Continental, London
July 10-11 Financial Times Conferences: Telecommunications and the European business market (01-925 2323) Hotel Inter-Continental, London
July 11 Hawksmere: Insolvency and the courts — insolvency inspired litigation (01-824 8257) Cavendish Conference Centre, London
July 11 Fibex: Doing business in France — a comprehensive guide to corporate strategy (01-837 1153) Le Meridien Hotel, London
July 11-12 Spectra: Developments in streamlining the merchandise flow (0734 320177) Regent Crest Hotel, London
July 13 LCC: Turkey — is she on the right track? (01-248 4444) Cannon Street, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published.

FINANCIAL

TODAY
COMPANY MEETINGS-
Edinburgh Inv. Tst., The Caledonian Hotel, Princes Street, Edinburgh, 12.00
Frank G. Gates, Woodford Moat House, Oak Hill, Woodford Green, Essex, 12.00
Hopkinsons Hldgs., The Pennine Hilton National Hotel, Ainley Top, Huddersfield, West Yorkshire, 2.30
BOARD MEETINGS-
Finals:
Brown & Tawse
Carclo Engineering
Embassy Property
Farepak
Ford Sellar Morris
Geevor
Hogg Robinson
Nobo
Pathfinders
Stirling
Syltone
Textured Jersey
Interims:
Beckenham
Claremount (UK)
Kleinwort Benson Gilt Fd.
DIVIDEND AND INTEREST PAYMENTS-
ABB Kent Hldgs. 2p
Do. 4¼% Prf. 1.575p
AMEC 10.75p
AMI Healthcare Group 2p
Alba 1.5p
Allda Hldgs. 9¼% Net Red. Prf. 2008/13 4.575p
Allied London Properties 1.075p
American Distributors 2.25p
Asda Property Hldgs. 1p
Ashley (Laura) Hldgs. 1p
Associated Paper Inds. 2.75p
Austin Reed Group 6p
Avon Rubber 5p
BICC 11.25p
Do. 6% 1st Prf. 2.1p
Do. 5½% 2nd Prf. 1.925p
BM Group 4.6% Net Cnv. Prf. 2.3p
BSG Intl. 2.34p
Barr & Wallace Arnold Tst. 11.5p
Do. A NV 11.5p
Barratt (Henry) Group 1.65p
Baxter Intl. Inc. 14cts.
Beacon Group 1.5p
Bellway 4p
Blenheim Exhibitions Group 4p
Bodycote Intl. 4.25p
Booker 12p
Boustead 0.8p
Bowthorpe Hldgs. 2.74p
Brake Brothers 2.4p
Brent Chemicals Intl. 6% Red. Prf. 4.5p
Brent Walker Group 7p
Bridon 6% Prf. 1.05p
British & Comm. Hldgs. 5.25p
Brown & Jackson 0.4p
CH Inds. 9½% Red. Prf. 2.9271pc.
CI Group 1.1p
Chelsea Artisans 1p
Chester Waterworks 8% Red. Prf. 1992 4p
Chillington Corp. 5½% Red. Prf. 4.75p
Clarke, Nicholls & Coombs 3.13p
Costee Bros 5.6p
Concentric 2.27p
Cookson Group 5.25p
Cooper (Frederick) 1.35p
Costain Group 7.25p
Credit for Exports Uns. Fltg. Rate Nts. 1985/92 $480.78
Croda Intl. 6.2p
Cussins Property Group 5.1p
DRG 7.6p
Dalgety 8.5p
Dickie Heel 0.95p
Diploma 2.25p
Early's of Whitney 1p
Epicure Hldgs. 0.72p
Equity & Law 11.1p
Federal Business Dev. Bank 10¼% Nts. 3/7/93 5.25pc.
Feedex Agricultural Inds. 1p
Ferner (J. H.) Hldgs. 3.2p
Fitzwilton 1.5p
Folkes Group 1.42p
Do. NV 1.42p
Folkestone & District Water 7% Red. Prf. 1988 3.5p
Fortnum & Mason 65p
Forward Group 2.1p
Foseco 8p
French Connection Group 3.5p
Friendly Hotels 4¾% Cnv. Red. Prf. 2.375p
Do. 5% Cnv. Red. Prf. 2.5p
Do. 7% Cnv. Red. Prf. 2.44p
Garton Eng. 4.75p
Gaskell Broadloom 5p
Geest 2.75p
Greyhound Corp. 33cts.
Guardian Royal Exchange 6.6p
Guidehouse Group 1p
Guinness 5¼% Cnv. Red. Prf. 2.875p
Hambro Countrywide 1.5p
Do. Rig. for fract. div. 31/12/88 0.12p
Hartons Group 1.09p
Hawtin 4.55% Prf. 2.275p
Hay (Norman) 1.5p
Hazlewood Foods 7½% Ptg. Prf. 4.375pc.
Hepworth 7.9p
Hestair 4.5p
Hillsdown Hldgs. 4.5p
Hogg Robinson & Gardner Mountain 4p
Hunting Petroleum Services 6p
Huntleigh Technology 1p
IBM Credit Corp. 8⅝% Nts. 1/7/91 4.3125pc.
Ingall Inds. 8% Uns. Ln. 86/91 4pc.
Jackson Group 4p
Jesups 2.25p
Johnson Group Cleaners 9% Prf. 3.15p
Do. Net Cnv. Red. Prf. 3.75p
Kunick 0.5p
Ladbroke Group 9.41p
Lamont Hldgs. 8.5p
Lawrence (Walter) 5.5p
Leeds Group 2.7p
London & Metropolitan 4.25p
Martin (Albert) Hldgs. 3.25p
Maxwell Communication Corp. 8p
Mecca Leisure Group 1.2p
Menzies (John) 3p
Metal Closures Group 5.6p
Mid Kent Water 6% 3pc.
Midsummer Leisure 1.2p
Morgan Crucible 0.05p
Mortlock & Co. 3.15p
Mount Charlotte Invs. 1.41p
Mowlem (John) & Co. 14.25p
Muckiow (A. & J.) Group 3.71p
National Home Loans Hldgs. 7½% Cnv. Prf. 3.75p
Neill (James) Hldgs. 5.5p
Newmark (Louis) 20p
Next 4.7p
North British Canadian Inv. Co. 6.3p
Northern Eng. Inds. 3.95p
OK Bazaars 74cts.
Padang Senang Hldgs. 1.7p
Pentos 1.4p
Perpetual 9.5p
Perry Group 3.25p
Petaling Tin Berhad 60sen
RIT Capital Partners 1.85p
RTZ Corp. (Reg.) 10.75p
Do. (Br.) 10.75p
Do. 3.225% A Prf. 1.6625p
Do. 3½% B Prf. (Reg.) 1.75p
Do. 3½% B Prf. (Br.) 1.75p
Rand Mines 120cts.
Rathbone Brothers 4p
Rolls-Royce 9⅝% Nts. 1993 4.8125pc.
Runciman (Walter) 6p
S & U Stores 3p
SAC Intl. 1.5p
Sanderson Electronics 2.1p
Sears, Roebuck & Co. 50cts.
Securities Trust of Scotland 3p
Sema Group 1.44p
Serif Cowells 4.5p
Sharp & Law 6½% Red. Cnv. Prf. 4.25p
Silentnight Hldgs. 4.75p
Simon Eng. 10p
Do. 6% Prf. 2.1p
Do. 6% Red. Prf. 84/89 2.1p
Do. 6.35% Red. Prf. 91/96 3.175p
Do. 7.75% Red. Prf. 92/97 3.875p
South African Breweries 64cts.
Do. 5.6% Prf. 6.3cts.
Do. 7% Red. Prf. 1.3cts.
Spear (J. W.) & Sons 2.5p
Stanhope 1.1p
Taylor Woodrow 12p
Temple Bar Inv. Tst. 4.2% Prf. 2.1p
Tesco 3.45p
Third Mile Inv. 2.05p
Tootal Group 3.5p
Top Value Inds. 2p
United Biscuits Hldgs. 6p
Usher-Walker 7p
Do. 5% Prf. 1.75p
WPP Group 12.4p
Walker Greenbank 1.25p
Wardle Storeys 4p
Warrington 1p
Watts, Blake, Bearne & Co. 5.1p
Western Motor Hldgs. 2.5p
Do. 5½% Prf. 1.925p
Williams Group 0.5p
Willis Faber 7.6p
Wilson (Connolly) Hldgs. 2p
TOMORROW
COMPANY MEETINGS-
Broadwell Land, UBS Phillips & Drew Limited, 100 Liverpool Street, E.C., 12.00
Estates & Agency Hldgs., Institute of Directors, 116 Pall Mall, S.W., 12.00
Fergebrook Group, Crowne House, 56-58 Southwark Street, S.E., 10.00
Monks & Crane, Strathallan Thistle Hotel, 225 Hagley Road, Edgbaston, Birmingham, 12.00
Time Products, Claridges, Brook Street, W., 12.00
BOARD MEETINGS-
Finals:
Associated British Engineering
Beaverco
Empire Stores
Lister & Co.
Moss Tst.
Pepe
Ross Catherall
Scottish & Newcastle Breweries
Scot Pickford
Interims:
Southern Business
DIVIDEND AND INTEREST PAYMENTS-
African Dev. Bank 11⅛% Ln. 2010 5.5625pc.
Australian Agricultural Co. 20cts.
Baird (William) 4.7p
Bibby (J.) & Sons 2.75p
Black (A. & C.) 5.5p
British Assets Tst. 0.8p
Edinburgh Inv. Tst. 3.95p
Elders IXL 9.5cts.
Equitable & Overseas Props. 1.5p
Fairey Packaging 3.25p
Fitzwilton 6¼% Prf. 2.54p
Gates (Frank G.) 3.5p
Geers Gross 1p
Jacks (William) 1.1p
Johnston Group 8.5p
Metro Radio Group 1.25p
Myson Group 3.95p
Proudfoot (Alexander) 3.5p
Sainsbury & Coleman 16.35p
Slingsby (H. C.) 5.5p
Smith & Nephew 2.25p
UK Paper 4p
Venture Plant Group 1.25p
Williamson Tea Hldgs. 10p
WEDNESDAY JULY 5
COMPANY MEETINGS-
London & Associated Inv. Tst., Stationers' Hall Court, 30-32 Ludgate Hill, E.C., 12.00
Unilock, Gillingham House, 38-44 Gillingham Street, S.W., 11.30
BOARD MEETINGS-
Finals:
AAH
Bucknall Austin
Buxton Brass
Toothill (R. W.)
Interims:
Domino Printing Sciences
Newman Tonks
DIVIDEND AND INTEREST PAYMENTS-
ADT 10.1cts.
Abbey National Bldg. Soc. Fltg. Rate Nts. 1993 £229.72
Albion 1.3p
Apollo Watch Products 0.45p
Bell Bros. 1.85p
Capital Gearing Tst. 0.3p
Consolidated 2½% 1.75pc.
Croydon Corp. 3½% 1.75pc.
Fletcher Challenge 16% Prf. N$0.176
Frost Group 5.25p
Globe Inv. Tst. 3.75p
Hawker Siddeley Electronics 1.5p
Hawker Siddeley Group 14.1p
Metropolitan Water Staines Res. Joint Comm. 3% Gtd. Deb. 1.5pc.
Mohrez Hldgs. 2.25p
New England Props. 10% Cnv. Uns. Ln. 1990 5pc.
Richards 1p
Ritz Design Group 2p
Scottish American Inv. 0.75p
Sharp & Law 2p
Value & Income Tst. 1p
Warburg (S. G.) Capital $V Fltg. Rate Nts. 2009 $427.07
Yule Catto 2.2p
Do. 11⅞% Red. Prf. 1998/2003 5.75p
THURSDAY JULY 6
COMPANY MEETINGS-
Chesterfield Properties, Avery House, 1 Avery Row, W., 11.00
Fine Art Developments, Fine Art House, Queen Street, Burton upon Trent, Staffordshire, 4.00
Hunter Saphir, Haberdashers' Hall, Staining Lane, E.C., 10.30
Sindall (William), Gonville Hotel, Cambridge, 12.15
Westbury, Kensington Park Hotel, De Vere Gardens, Kensington, 3.00
BOARD MEETINGS-
Finals:
Baker Harris Saunders
Deejan
Dominion Intl.
FKB
Fuller Smith & Turner
Israel (Jack L.)
Peel
Interims:
Owners Abroad
DIVIDEND AND INTEREST PAYMENTS-
Avis Europe 7p
Blue Circle Inds. 6¼% Uns. Ln. (1975 or after) 3.125pc.
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1996 £330.34
British Shoe Corp. Hldgs. 7% Uns. Ln. 91/96 3.5pc.
Chesterfield Props. 10p
Clark (Matthew) & Sons Hldgs. 7% Red. Prf. 3.5pc.
Colman (E. Alec) Invs. 8% Uns. Ln. 91/96 4pc.
Courtaulds 5% 1st Prf. 1.75p
Do. 5½% Uns. Ln. 94/96 2.75p
ERS Group 0.9p
E-Systems Inc. 12.5cts.
Enterprise Finance Units Var. Calls 1989 Ptg. Pd. (Reg.) 4.24pc.
Fashion & General Inv. 11.7p
Fine Art Developments 5.75p
Do. Rig. for fract. Div. 21/3/89 2.3144p
General Mining Union Corp. 6% Prf. 6cts.
Glynwed Intl. 6.25p
Hamilton Oil Corp. 2.5cts.
Do. A Prf. 45.75cts.
Highcroft Inv. Tst. 1.75p
Highland Electronics Group 1p
INSTEM 1.5p
Linread 7¾% Deb. 89/93 3.875pc.
Moran Hldgs. 3p
Morgan Crucible 7½% Net Cnv. Red. Prf. 3.75p
Do. 9½% Deb. 95/2000 4.75pc.
NFC 1.22p
Nurdin & Peacock 3.15p
Peek 2.1p
Ratners Group 5.65p
Scottish National Tst. 1.5p
Smith (W. H.) Group 5¼% Red. Uns. Ln. 2.5625pc.
Do. 8% Red. Deb. 87/92 4pc.
Do. 7¾% Red. Uns. Ln. 88/93 3.875pc.
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. $755.47
Do. Und. Prim. Cap. Fltg. Rate Nts. (Ser. 4) $468.52
T & N 6.5p
Tarmac 7½% Deb. 87/92 3.75pc.
Walker (J. O.) 1.9p
Waste Management Inc. 10cts.
Westland 8¼% Uns. Ln. 96/2000 3.875pc.
Do. 10¼% Uns. Ln. 2000/05 5.25pc.
Wickes 2.61p
Yorkshire 6.25p
FRIDAY JULY 7
COMPANY MEETINGS-
Elys Group, Drapers Gardens, 12 Throgmorton Avenue, E.C., 10.00
Just Rubber, The Parkway Hotel, Cwmbran Drive, Cwmbran, Gwent, 2.00
MBS, The Chartered Institute of Bldg., Englemere, Kings Ride, Ascot, Berkshire, 11.00
Pennant Group, Mundesley Holiday Centre, 11.45
BOARD MEETINGS-
Finals:
Burtonwood Brewery
Real Time Control
Southwest Resources
Tops Estates
DIVIDEND AND INTEREST PAYMENTS-
BDA Hldgs. 2p
Bank of Ireland (Gov. & Co. of) Cap. 8.5p
Barlow (Group) 0.5p
Blue Circle Inds. 14.5p
British Inv. Tst. 11.5p
Browning-Ferris Inds. 14cts.
Capital Radio 6p
City Site Estates 0.8p
Elim 4.9p
Evered Hldgs. 3.05p
FR Group 3.6p
Fernell Elect. 2.4p
Greenhall Whitley 6.3p
Do. A 0.68p
House of Fraser 8% Mtg. Deb. 86/91 4pc.
Just Rubber 1.65p
Kelsey Inds. 4.125p
Kingfisher 7.2p
London & Edinburgh Tst. 2.5p
London Finance & Inv. Group 1.2p
MMT Computing 0.85p
Majedie Invs. 3p
Memory Computer 7.6% Cnv. Red. Prf. 94/95 3.8p
Northern American Tst. 2p
Paramount 1p
Pennant Intl. 21cts.
Queens Moat Houses 7% Cnv. Red. Prf. 3.5p
Radio Clyde 2.75p
Rechem Environmental Services 6p
River & Mercantile Tst. 1.5p
Saga Group 1.45p
Sandell Group 1.7p
Schlumberger 30cts.
Sears 3.65p
Shanl Group 1.8p
Sindall (William) 4p
TR Australia Inv. Tst. 2p
UPL Group 1.75p
United Drug 1.58p
Ward White Group 7.5p
Westerly 2p
Weepac Banking Corp. (2nd) 16cts.
Wolverhampton & Dudley Breweries 3.2p
Yorkshire Television Hldgs. 3.3p
SATURDAY JULY 8
DIVIDEND AND INTEREST PAYMENTS-
Inter-American Development Bank 12⅞% Ln. 2003 6.25pc.

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FINANCIAL TIMES SURVEY

Pakistan is changing at a remarkable pace. Parliamentary democracy has replaced an authoritarian military government. Will Benazir Bhutto, the first female head of an Islamic state, be able to cope with the country's many problems? **Christina Lamb reports**

Outwitting the generals

PAKISTAN IS a land of contradictions. A heavily conservative Moslem society where the evidence of a woman counts as half that of a man, it has a glamorous young mother as Prime Minister. Almost bankrupt on paper, its streets are lined with marble copies of the White House. The public pronouncements by politicians about the social responsibilities under Islam do not always match their private deeds.

It is a country where time has no meaning and centuries seem to clash. Feudal lords play 19th century British politics, their constituencies pocket boroughs, where money and family are the principal influences. Changing allegiances to stay in power and ensure that they, along with most of the population, do not pay taxes, they talk of the bomb while keeping their peasant employees at one of the world's lowest literacy rates (officially 26 per cent, but only 4 per cent in rural areas).

In remote northern valleys, villagers still use shells and buttons for money and bury their dead above ground, yet the chief wears a digital watch. Pathans return from lucrative construction work in the Gulf, laden with stereos they will take to villages with no electricity.

Fortunately for Pakistan, the person trying to hold all this together is no ordinary woman. Suffering torture and exile, Benazir Bhutto fought for 11 years against the military dictatorship of General Zia, the man who overthrew and then hanged her father, Pakistan's first elected Prime Minister.

Suddenly last year her goal of democracy seemed much nearer when, shortly after dismissing his own handpicked government, President Zia was killed in a mysterious aeroplane crash, along with a number of senior generals.

The army needed time to recover and re-establish its reputation damaged by its long years in politics (army officers were sometimes physically attacked in the street). To the nation's surprise, and despite the pleas of politicians that had been close to Zia, it pushed ahead with only the third free elections in Pakistan's history.

To retain their influence, the army and bureaucracy put their weight behind Ms Bhutto's opponents. But it was to no avail. Ms Bhutto's public support, her charisma and years of sacrifice generated emotional crowds wherever she went and she won the November elections.

Ms Benazir Bhutto, Prime Minister of Pakistan

PAKISTAN

Though Ms Bhutto did not get the sweeping majority she had expected, thus limiting her options, the change in atmosphere was immediate. Political prisoners were released and the media freed to enable opposition figures to appear on TV for the first time. But with her party in control of only two out of the four provinces and with a fragile majority in the Assembly and almost no support in the Senate, Ms Bhutto can do little more. Left with empty coffers and massive debts, her ambitious social programme has been shelved, leaving half the population still without access to drinking water or electricity.

Ms Bhutto knows the key to her success is to keep one step ahead of the generals. While her frequent trips abroad cause wry comments about her being more popular abroad than at home, she is more sophisticated and politically nimble than her opponents are ready to acknowledge. Such trips bring in new hardware for the generals and she knows it would be hard for the US, whose economic support is vital, to switch its backing to a general after giving her such a rousing initial reception.

Ms Bhutto's appointment as the first woman Prime Minister of an Islamic country sparked off a battle of *fatewas* or edicts between rival groups of mullahs over whether a woman can head an Islamic state. To outmanoeuvre the religious leaders, she made an early pilgrimage to Saudi Arabia where she got the King's blessing. Though Ms Bhutto may not yet have passed any legislation, she has shown her mettle, taking on Pakistan's influential drug barons in an effort to control a serious heroin problem: as well as becoming one of the world's largest producers every 11th family in Pakistan now contains at least one drug abuser.

The army has not been spared, either. Last month Gen Gul was removed, as the Government feared that he would help its opponents run a destabilisation campaign while Ms Bhutto was in the US. Ms Bhutto says it was a normal transfer but in this land of intrigue, conspiracy theories generally gain currency.

But what is the Pakistan that Ms Bhutto is governing? It is a question much debated by the country's intelligentsia seeking a more constructive answer than the fatalistic "Well, this is Pakistan" from the telephone engineer when the phone goes out of order for the 10th time in a week.

Geographically, Pakistan is a country of 110m people and immense variation, of deserts and high mountains, of noisy bazaars and ruins. Three times the size of the UK, it borders Iran, Afghanistan, China and India and its coast stretches from India to east of the Straits of Hormuz, a strategic position which means its foreign policy is usually decided for it, though dominated by a great distrust of India. Most Pakistanis imagine India is on the verge of invasion. Since partition, the two states have fought three bitter wars, all lost by Pakistan, the last in 1971 when East Pakistan seceded to become Bangladesh.

Relations with India have been much improved since Ms Bhutto took over, and she will meet Rajiv Gandhi four times in the next few months – he visits Islamabad later this month. Many people, particularly in the army, suspect she will be soft towards India and one of her ministers on a recent visit to Delhi told the Indians to "stop being so nice - it's embarrassing us at home."

Economically, Pakistan's exports of cotton, rice and manpower are never enough to pay for Western imports of machinery and consumer goods, so it relies heavily on foreign aid to feed the rapidly expanding population.

Despite the country's economic difficulties there is substantial support for the nuclear development programme which many observers believe has resulted in Pakistan becoming a nuclear power in the military as well as the energy sector. Neither India nor Pakistan has signed the nuclear non-proliferation treaty, each waiting for the other. Concern about the direction of Pakistan's nuclear development was heightened when Dr Abdul Qadir, the chief atomic scientist, told an Indian newspaper that Pakistan already had a nuclear bomb, only to deny it again later.

Pakistan's nuclear capability has been conveniently ignored so far by US administrations because of her role in acting as a conduit for American military support to the Afghan resistance which is based in Pakistan along with more than 4m refugees. The Soviet invasion of Afghanistan in 1979 turned Pakistan into a frontline state. President Zia became a close US ally, seeing support from Washington as the key to his survival; the price was an influx of arms, drugs and spies.

With the Soviets gone from Afghanistan, Pakistan is afraid the US will cut off its economic lifeline. But for the moment the new message of Democracy that Ms Bhutto carried on her recent trip ensured the country $4.02bn aid for the next six years, the Bush administration not wanting to abandon a fledgling democracy.

Despite the rebirth of democracy, Pakistan still has severe political growing pains. Of its 42 years, the military has ruled for 24, with just three elections, of which only two put prime ministers in power. The ordinary people, anxious for someone to blame, talk of mysterious "enemies of democracy" or "foreign hands."

Pakistan has come far, yet has far still to go. Islam may be the only thing which unites four provinces and numerous tribes and languages; attempts to strengthen the bond by imposing Urdu as a national language failed. Moreover Islam did not prove strong enough to hold Pakistan's two parts together in 1971, leaving the army scarred and successive governments anxious that one day the southern province of Sind might try to secede.

Sind today is described by newspaper manager Shazia Abbasi as "bleeding – like a haemophiliac." More than half its population are non-Sindhis and last year some 2,000 ethnic riots took place and more than 1,000 people died.

One of the main reasons the army allowed the transfer to a democratic government headed by a Sindhi Prime Minister was that it believed it the only way the province could be reintegrated. The Government's economic strategy, depending on private sector investment, will succeed only if there is peace in Sind, particularly Karachi, Pakistan's largest city, only port and main industrial and commercial centre.

Yet, despite Ms Bhutto's mandate in Sind, partly caused by sympathy for her father's death, the situation has not improved. Kidnappings have become so frequent that the chamber of commerce has taken front-page advertisements in the national press, appealing to her to intervene.

Both Pakistan and Ms Bhutto's future rest very much on the Sind situation. It should have been her prime asset, but could prove a liability. While the army is at present happy with a civilian government that brings in much money through international goodwill and allows it to re-establish its reputation as the "harbingers of democracy," the generals are watching Sind carefully.

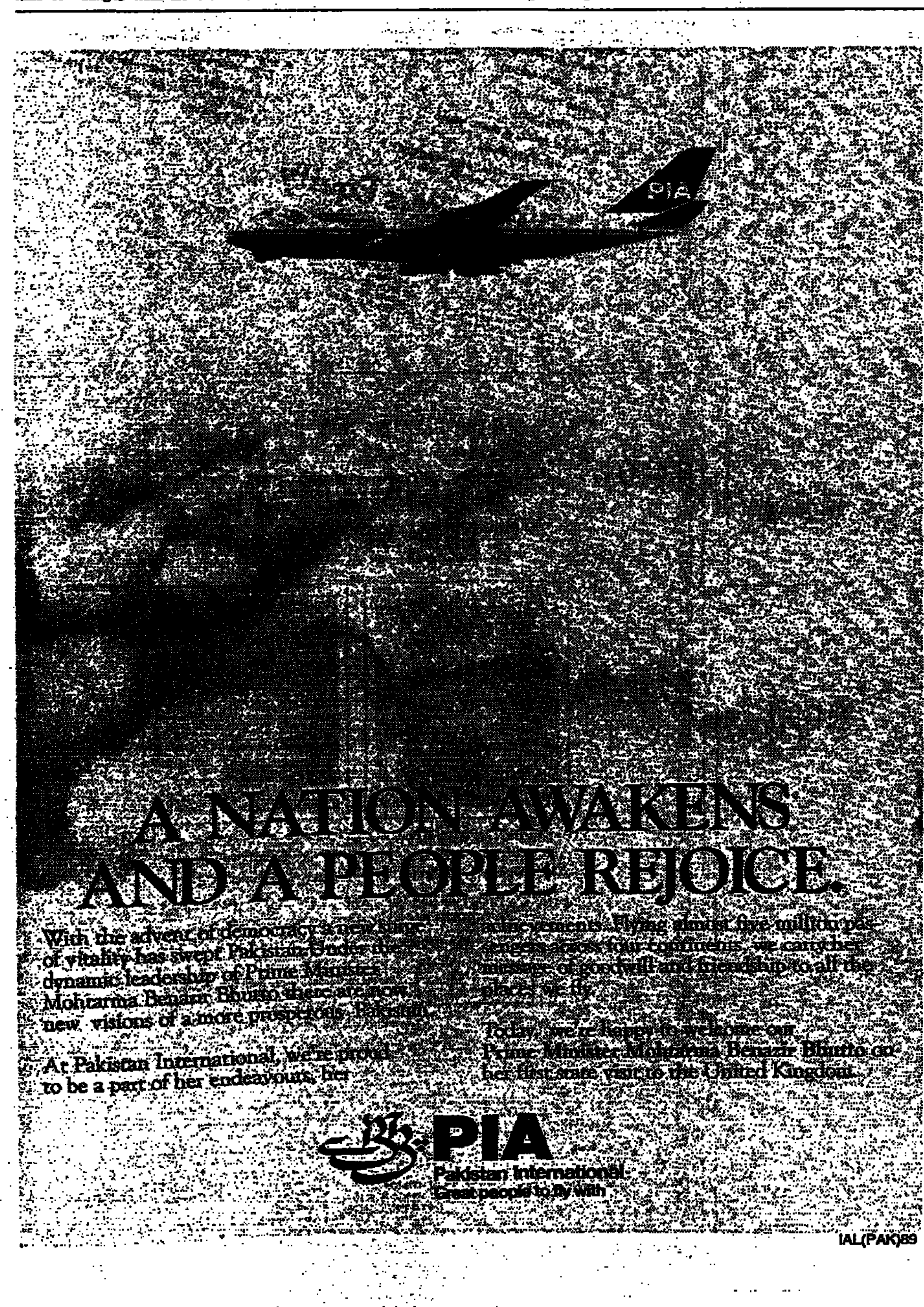
It is early days for Ms Bhutto - too early to judge her chances of overcoming the daunting economic and political problems she faces and too early to be confident that the generals have really accepted that the role of the armed forces is to serve governments rather than to govern. But as time passes the odds on democracy taking root increase. Who would have guessed last August, when President Zia died, that the army would sit quietly in its barracks while a democratic election was held and returned a civilian woman to power? For that alone Pakistan deserves continuing optimism.

CONTENTS

KEY FACTS

Area .... 803,943 sq km
Population 105.3m
GDP at market prices (1987) ... $3.495bn
GDP growth .... 5.8 per cent
Average annual GDP growth (1980-87) .... 6.4 per cent
GDP per capita ... $361.5; India (1987) $304
GDP structure (1987) .. agriculture 23.3%, mining, manufacturing and utilities 22.1%, wholesale/retail trade 16%, construction 6.3%, transport, housing & communications 11.5%, other services 20.8%
Inflation .... 7.4 per cent
Average rate of inflation (1980-87) .... 6.9 per cent
Average exchange rate ..$1 = Rs18.003; £1 = Rs32.071
Rate (June 27, 1989)....... $1 = Rs20.712, £1 = Rs32.0
Merchadise exports ...$4.52bn
Principal exports (1987-88) ..... cotton cloth 8.4%, raw cotton 8.3%, cotton yarn 8.3%, garments 8.1%, rice 5%
Main export destinatiopns . US 11.5%, Japan 10.8%, West Germany 7.2%, UK 6.8%
Merchandise imports ..$6.34bn
Main import sources ....Japan 15.1%, US 10.7%, W Germany 7.6%, Kuwait 7.5%, UK 6.8%
Aid receipts $2.7bn
Workers' remittances ....(1970) $86m; (1986)$2.6bn
Current account balance .... -$1.1m
Reserves (excl. gold) ...$395m

Data 1988 unless otherwise stated.



POLITICS

Power struggle paralysis

THE HIGHEST return on investment in Pakistan today is to become an independent politician. The initial outlay is great — most successful candidates spend over Rs1m. But once elected, making money is easy. Support of independents and small parties is crucial to Benazir Bhutto's People's Party (PPP) Government as to her opponent Nawaz Sharif's Islamic Democratic Alliance (IDA) government in Punjab. With both sides eager to topple the other, horse-trading takes priority over administration.

Mr Enayatullah Gundapur is a master of the art. An independent member of the Frontier assembly, he promised support to the IDA in its plans to overthrow the PPP provincial government of Aftab Sherpao, two days later was sworn in as minister in Mr Sherpao's cabinet and by the end of the week agreed to back the IDA if it chose him as chief minister.

The parties are at it, too. The Awami National Party (ANP) which for 11 years fought with the PPP against martial law, and after the elections joined them in coalition in the Frontier, a few weeks ago got a better offer and joined the IDA-led Combined Opposition.

The IDA's present strategy is to topple Mr Sherpao's Frontier Government, then go for a vote of no confidence in Ms Bhutto in the national assembly, where the opposition claims a total of 94 seats compared to the PPP's 113 in a house of 237. Despite the machinations of Mr Sharif, Mr Sherpao seems safe, still backed by 10 dissident IDA members, some of whom have been made ministers.

Pakistan's first free elections in 11 years, in November, in which the PPP expected to win a sweeping victory, produced indecisive results. The PPP claims Mr Sharif and his backers in ISI manipulated the elections so that the PPP won an absolute majority only in Sind, forming governments in Frontier and the centre only with the help of independents.

Many people outside the PPP, particularly the business community wary of hare-brained schemes, were relieved by the results, seeing the party's limited mandate as providing a useful check. However, the PPP finds it difficult to stomach Mr Sharif's victory in Punjab, which is home to 60 per cent of the population and a former PPP stronghold.

For his part, Mr Sharif has become the first Punjabi leader in Pakistan's history to challenge the country's Government. One of Pakistan's richest men, who holds millions of rupees of government bank loans, he would even agree to a constitutional amendment preventing no-confidence votes in either him or the Prime Minister in order to stay in power.

And so, a fight is on. Mr Sharif says the PPP threw the first punch with Ms Bhutto's allegation that he had rigged elections, followed by a campaign to remove him which backfired. Claiming the Government is picking on Punjab, he has won most subsequent byelections in the province.

Because of the Punjab-Sind polarisation due to the battle between the Punjabi Chief Minister and the Sindhi Prime Minister, many Punjabis are fleeing from Sind. Some fear the army may feel compelled to step in for the fourth time in Pakistan's 42-year history. Mr Maleeha Lodhi, editor of the Muslim newspaper, says: "In more stable democracies such things would be the normal rough-and-tumble of politics but here democracy is so fragile that an intense power struggle can undermine the whole system while the energies it consumes mean the Government doesn't get on with a job that is already very difficult."

Mr Sharif, the army's preferred candidate, agrees. "They've pushed us into a position from where we have to fight — this infighting could lead to other forces coming into play."

The polarisation is even more obvious in the national assembly where the budget debate deteriorated into a series of personal attacks, arguing over the finances of Ms Bhutto's husband or even if she should be allowed tissues in parliament when suffering from flu. Mr Shahnaz Wazir Ali, junior Education Minister, says: "The assembly is like a ventilator — there is hatred on both sides to be aired."

The hostile atmosphere in the assembly and the senate, where the PPP has only a handful of the 87 members, means that in seven months the Government has passed no legislation other than the budget, the only bill which does not have to pass the senate. Instead, it relies on ordinances which the President is now delaying signing.

Mr Javed Jabbar, a former independent and now the Information Minister, argues: "We're straddling a very delicate situation. When you set out to climb a 20,000 ft peak, it takes a long time. The PPP has achieved one peak, the next is to translate our political mandate into effective reality — an almost vertical climb."

Pakistan's independent politicians have few such worries, knowing they can jump ship, raising their stakes. One national assembly member explains: "If the PPP give me a tenth of what they've promised, my area will be the showplace of Pakistan. If they don't, I can always join the IDA."

Christina Lamb

Christina Lamb reports on the world's biggest refugee problem

Cost of the Afghan war

ABDUL WAHAB, 16, can barely remember his home country but will regard the questioner with incredulity if asked whether he wants to go back to Afghanistan. Mr Rene van Rooyen, in charge of UN refugee operations in Pakistan, says: "I haven't met a single refugee who does not want to return but they are torn because of the continuing insecurity and will not go back until that situation improves."

Officially, there are 3.27m more like Abdul Wahab in Pakistan — the world's largest refugee population. But it is believed there are another 1m refugees, with thousands more piling in each week. According to Mr Mir Baz Khetran, Minister for States and Frontiers, 68,000 arrived between November and June, mostly as a result of fighting in Jalalabad. Four more camps are being set up.

The majority of the refugee population is concentrated in the Frontier Province (NWFP), stretching its hard-pressed resources and infrastructure, affecting forests, drinking water, hospitals and roads.

Peshawar, before the war a sleepy town of 200,000, is now a noisy, congested home to more than 1m. Locals complain that the presence of so many refugees has led to a housing crisis, with affluent Afghans, resistance groups and aid agencies offering extravagant rents and taking over the transport business, some 6,000 trucks and buses registered for Afghans in NWFP.

"People argue that by providing unskilled labour the refugees have depressed wages but in fact they may be meeting a shortage of unskilled labour," says Mr W A Jaffrey, economic adviser to the President. But he says the increase in smuggling of Pakistani wheat across the border is worrying. Officials in the Agriculture Ministry say that last year 500,000 tonnes disappeared, forcing Pakistan to import at high prices. Mr Jaffrey points out the Soviet Union "has been giving Kabul $1bn a year in economic aid but with a change of government it may not be prepared to continue and Afghanistan will become more reliant on smuggled Pakistani produce that we ourselves need."

Though Pakistan is now receiving $4bn over four years from the US, the cost of a war which made it a frontline state has been more than financial.

Ecologically, entire forests have been stripped bare. But the biggest effect has been social. With the influx of refugees came drugs and arms. Since the war started, Pakistan has become the world's largest supplier of high-class heroin, processed in Pakistan from poppies grown in Afghanistan. Drug addiction has rocketed. In 1981 there were just 25 recorded cases in Pakistan — now officials estimate there are more than 700,000.

Many of the US and Saudi arms supplied to the Afghan resistance or captured from the Soviets have found their way to Pakistan, creating a Kalashnikov culture; in Karachi the spread of arms and drugs has led to daily killings.

Pakistan has become a frequent target of terrorist incidents believed to be carried out by agents of the Afghan secret police, while to put pressure on the Pakistanis to stop supporting the Mujaheddin, the Kabul regime has fired SCUD missiles into Pakistan territory.

Since the Soviets left Afghanistan in February and the disastrous Mujaheddin attack on Jalalabad, attitudes have changed, with people starting to say this is not *jehad* (holy war). Mr Khetran, the Frontiers Minister, complains that supporting the refugees has cost Pakistan more than $1m a day for the past decade.

But Western diplomats point out that Pakistan has never paid each refugee the Rs50 a month which theoretically it gives, though it does pay the salaries of 16,000 employees in the Refugee Commissariat.

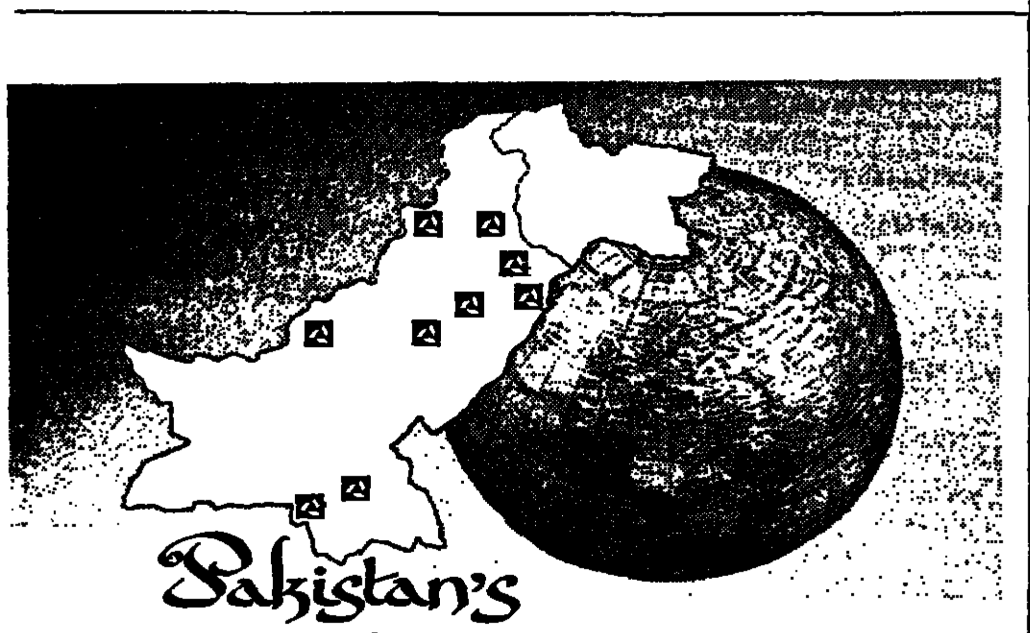
It is surprising that with the assimilation of huge numbers of refugees there has been so little tension, perhaps because most are from border areas and so share the same culture, language and even tribe.

But now many Pakistanis fear the refugees will not go back. Life has been made easy for them — they do not require documents and have been allowed to run businesses. Yet, though Pakistan is unlikely to force them to return, once Afghanistan is back to normal, it could restrict their activities.

The first to return are likely to be the unregistered who have nothing to gain by staying. Even registered refugees now receive only wheat and edible oil. Western diplomats say 15-25,000 refugees returned to Afghanistan in May but this slowed to a trickle after extremist groups at the border forcibly stopped returnees.

When repatriation occurs — it is unlikely till next spring — it will be the largest in history. Prince Sadruddin Aga Khan, the UN co-ordinator, is still way off the $1.1bn target required for reconstruction.

For the moment, the hardliners in the US administration seem to have won and the Mujaheddin are being given until October to take a major town and improve their negotiating position. While fighting goes on, the direction of refugees is likely to be into Pakistan rather than out.



ENTREPRENEURS

The stamp of approval

IN A nation of landlords, traders and soldiers, industry is as yet on a Lilliputian stage. But the winds of change are sweeping over Pakistan – albeit gently.

The cotton textile industry continues to dominate the private corporate sector. There are signs of industrial entrepreneurship being attracted to other areas but it requires more than normal entrepreneurial drive to go into non-textile business in Pakistan. It is virtually a free trade economy despite the numerous official regulations on imports.

Few businessmen have the financial resources to establish large, cost-effective plants which could profitably compete with cheaper imports. Nor do they have the managerial expertise – there are few schools of business administration and universities.

Mr Asiqueali Hussain, a television and tubelight manufacturer, is planning to diversify downstream through a Rs250m black-and-white TV picture tube project. Says Mr Hussain: "My friends tell me I am mad. But the environment today is fairly good. I am pledging all my assets and reputation on the project. We have to develop our own manufacturing base."

After a long gap of nearly two decades, there appears to be a major change in the attitude of the Government towards private investment. The Bhutto administration is keenly encouraging entrepreneurs to come forward with projects. Government sanctions are easier to obtain.

For five years, Mr Rafiq Habib knocked on the door of every politician and bureaucrat in the country to be allowed to set up an automobile plant. But even he was unprepared when the dust was finally shakened off his file and stamped "approved".

The earlier application had envisaged the manufacture of the Toyota Corolla, 1300 cc model passenger car. This may no longer the feasible as Pak Suzuki Motor is already supplying 30,000 cars to the small domestic market. "We have not ruled out a passenger car, but we may concentrate on a sturdy light commercial vehicle with a diesel engine suitable for heavy duty traffic," says Mr. Habib.

But the Government nod of approval has infused a sense of dynamism into one of the oldest, largest and most respected business families of Pakistan. One of the key factors in its approval of the Habib Toyota project is the location of the plant in a backward district of the Sind. It is one of the rare new projects in this state.

Most of the fresh investment – both textile and non-textile – is in the state of Punjab and not in the traditional industrial and commercial centre round the port city of Karachi. Increasingly, entrepreneurs are being attracted to the province not only because of the availability of a large labour force, but also because of a market enriched by the foreign remittances of Pakistani workers in the Middle East and improving infrastructural facilities.

One underlying cause for this shift towards the Punjab, however, is less reassuring. Significant numbers of Karachi businessmen are locating new projects in Punjab rather than Sind because they feel that the law and order situation in Karachi leaves much to be desired.

A spate of kidnappings during the last four months has left the industrial community feeling vulnerable and insecure. In one such incident last month, a ransom of Rs10m was demanded. In reaction, some businessmen have hired personal bodyguards. If the situation persists or deteriorates, the "dispersal" could well turn into "flight."

But on the surface, in the commercial areas of Chundrigar and Haroon roads, Karachi is bustling as never before. Eight companies await listing on its Stock Exchange, five issues are open and several flotations are in the pipeline.

Together, they should increase the number of companies listed on the exchange from 412 to 431. The planned opening of a third stock exchange at Islamabad – the Lahore exchange is the second – also indicates a mushrooming of the investor community.

A corollary to this activity is the changing complexion of the Pakistani business community. In the first blush of the nation's independence from British colonial rule and partition from India in 1947, industrial activity was generated by a mere 22 families. By 1968, they had acquired control of 66 per cent of the country's industrial assets. These assets however were abruptly diminished in the early 1970s. Many business families lost heavily with the creation of Bangladesh after the 1971 civil war, and even more heavily under the nationalisation programme of Mr Zulfikar Ali Bhutto, father of the present Prime Minister.

One effect of the nationalisation was to encourage business groups to move away from public limited companies to private ones and from industry to trading. They could grow without attracting public attention – a purdah before both the Government and the general public suddenly became highly desirable.

The enforced attitude sits uneasily with the natural flamboyant taste in Pakistani lifestyle. Before the 1970s, it was a matter of prestige to be among the top 22 families. Now the reverse is true. Wealthy families go to extraordinary lengths to shelter their fortunes and business activities behind a multitude of partnerships and private firms. The plethora of private, unlisted companies is an unique feature of the Pakistani corporate environment. For instance, sales of the Adamjee Group's public limited companies are a mere Rs886m. But if its 30-odd private companies are taken into account, the group turnover shoots to over Rs2.5bn.

In the 20-year period since 1968, there have been subtle shifts in the business groups, changes which reflect not only normal climbs and slides in the corporate sweepstakes, but basic changes in the relationship between the various ethnic communities. Ismailis, who owe their allegiance to the Aga Khan, are a new entrant community on the 1988 list of top 20 groups. One is the Lakson Group and another is the Hashoo/Hashwani Group.

Major exporters of raw cotton until the Government nationalised the trade in 1973, the Hashwani brothers turned hoteliers. One branch of the family, the Hashoo group, headed by Mr Sadrudin Hashwani, dominates this important service industry, with his six hotels, of which two are in partnership with Holiday Inn.

A small, quiet and unostentatious community, the Ismailis keep away from the frictions common among other Muslim sects. Curiously, one prominent Punjabi businessman who does not feature in the 1988 list is Mr Nawaz Sharif, Chief Minister of Punjab.

Informed corporate monitors estimate that his Ittefaq group of eight companies, with interests in steel castings, textiles, sugar and sugar machinery, has combined sales of at least Rs3.5bn. If so, Mr Sharif's would be among the country's top five business groups.

Opposition members allege that the group could not have grown at the pace it has without considerable aid from the Government. Singular tax breaks and unusually large loans from financial institutions are just two of the aids utilised by Mr Sharif, they allege. But in a country where business and politics are the flip sides of a golden sovereign desired by all, the allegations smack of sour grapes. Out-of-turn concessions of varying importance are enjoyed by almost all businessmen.

Not all businessmen are unhappy about the corporate activities of politicians. "We have immediate access to Mr Sharif. He understands our problems and makes a genuine attempt to solve them. In Karachi not only is there no access, but we have a chief minister who does not know the ABC of business," says Mr Bashir Alimohammed, a mill-owner.

None the less, there is a handful of rare businessmen who insist that business growth can be achieved without political patronage. "In certain industries such as textiles, sugar and cement, an entrepreneur needs some kind of patronage to get the sanctions. So I have not gone into those industries. But there are so many other businesses," says Mr Yusuf H Shirazi, chairman of the Rs2bn Atlas group.

The uneasy relationship between business and politics is perhaps summed up best by Mr Zahid Bashir of the Crescent Group who says: "In the past 20 years, at every independence day, a roll of honour is presented to every section of society except industry. The Government is running on our money. Surely we are due some respect in society."

Gita Piramal

Top 20 business groups (gross sales, 1988)

Figures in millions of rupees

Lakson	3,890.98
Crescent	3,868.04
Habib	3,110.61
Dawood	2,459.99
Saigol	2,144.02
Wazir Ali	1,883.36
Dewan	1,551.08
Bawany	1,370.24
Sapphire	1,351.07
Nishat	1,318.25
Atlas	1,252.28
Gul Ahmed	1,211.02
Gen Habibullah	1,209.07
Fazal & Sons	1,203.27
Al-noor	1,089.60
Farooque	1,018.21
Fazal Cloth	997.15
Adamjee	888.60
Service	866.81
Sargodha Group	806.44

The data was compiled after examining the balance-sheets of all 412 companies listed on the Karachi Stock Exchange by Mr Iqbal A Gangjee, of Gangjees Investment and Finance Consultants.

Getting the economy back on course

IMF calls an easier tune

WHY SHOULD a country which for nine years has had impressive growth rates averaging 6 per cent a year, is the world's second largest exporter of cotton and third of rice, and has one of the highest per capita incomes for a developing country, be so poor that it has to print or borrow money to pay government wages, while civil servants have to get permission to refill ballpens?

Mr Wasim Jaffrey, economic adviser to the President and the main architect of the country's recent budget, has a simple answer. "Pakistan is a classic case of 'the Government is poor but the people are rich'."

A long history of political instability has made Pakistan a consumer society that does not think beyond today, with one of the lowest domestic savings rates in the world, where owning a refrigerator is an important status symbol even if there is no electricity to run it and where the black economy rivals the white.

Mr Jaffrey believes much of Pakistan's economic problems come down to morals. The taxman in Pakistan works on a commission basis. Offer him more than his commission and tax is forgotten. At present only 1.1m of the 110m population are registered for tax and fewer pay. Feudal landlords, who dominate parliament, agree on the need to widen the resource base but will not accept the introduction of agricultural income tax as it would affect their own earnings.

Last year the Government estimates some Rs122bn was embezzled compared with a total development budget of Rs56bn. This is the kind of mentality the new Government has to overcome to keep its commitment to increase resources in line with a three-year $1bn IMF package.

When Ms Bhutto took over in December she said she had inherited a bankrupt economy. Before the budget last month she took out a series of newspaper advertisements to illustrate the point. The last Government had borrowed money like it was going out of fashion, often at crazy interest rates without thought for the future.

That future has arrived, bringing with it unemployment at 25 per cent, inflation at 11 per cent, industrial growth of only 1.2 per cent with six of Pakistan's 15 major industries actually declining by up to 21 per cent, and an appalling balance of payments position worsened this year by a terms of trade shock with export receipts almost stagnant until February while imports rose because of shortages of wheat.

Foreign exchange remittances from Pakistanis working overseas have been relied on to help lessen the current account deficit. These have shrunk from $2.9bn at their peak in 1982-83 to $1.88bn this year, and exports which at $4.4bn grew only 1.9 per cent have not increased fast enough to offset this. As international oil prices firm, the $7.1bn import bill is likely to rocket, Pakistan importing 77 per cent of its oil requirements.

Defence, non-development expenditure and debt servicing of Pakistan's Rs310.5bn internal debt and $14.4bn foreign debt eat up 80 per cent of current expenditure, leaving the Government with little room for manoeuvre.

But it is not all gloom. Last autumn in the first real attempt to get the economy back on course, the caretaker government under Dr Mehbub ul-Haq, Pakistan's economic wizard, initiated a series of reforms based on increasing taxation and cutting subsidies and negotiated an IMF agreement which Ms Bhutto later signed, saying it was tough but they had no choice. At the Paris Consortium meeting of donors in May, a World Bank spokesman said for the first time there was real commitment to reform and as encouragement the group gave $3.187bn, $26.3m more than Pakistan requested.

Despite this boost, the Government has no money to carry out the social sector reforms it promised. Ironically, for a party whose manifesto proclaims "socialism is our economy," Ms Bhutto's PPP now sees the way out through privatisation and private investment. Last year deregulation measures allowing the private sector to export cotton and rice, the country's major exports, meant for the first time its investment topped that of the public sector, a trend it hopes will continue.

To encourage investment, a new industrial policy in May liberalised sanctioning procedure – now only private sector projects costing over Rs1bn need approval from a committee headed by Ms Bhutto herself. In contrast to her father who as Prime Minister in the 1970s nationalised all banks, Ms Bhutto has allowed private investment banks to set up for the first time, hoping they will provide a new source of credit. Privatisation is expected to raise Rs1.5bn by the end of the year through the sale of publicly owned companies such as the profitable airline PIA, banks and oil and gas corporations but with the Government retaining management.

The taxman works on commission. But if you offer him more ...

Ms Bhutto's life was made much easier in May when the IMF agreed to relax the pace of adjustment in the wake of riots in Venezuela. The Fund realised the measures needed to reach this year's target of 5.5 per cent would cause political problems. So it relaxed it to 6 per cent though the 4.8 per cent target by 1991 remains, meaning harsh steps have only been put off another year.

The IMF put great stress on raising resources through widening the tax base and making collection more efficient. According to Dr Mehbub, leakage is as much as 50 per cent. A British team is arriving to advise on income tax collection which Mr Jaffrey describes as "the toughest nut to crack." They hope to raise an extra Rs7bn this year partly by removing exemptions such as when companies write off tax against machinery and claim they are modernising.

The most controversial measure in the budget was the imposition of 12.5 per cent sales tax on 44 items, some of which have since been withdrawn, but the IMF requires 150 items to be taxed by 1991. Subsidies on utilities and commodities will also have to be slashed. One of Ms Bhutto's economic advisers comments: "For the next three years it is an IMF budget, the PPP manifesto going out of the window."

Even land tax, previously a taboo subject, is now being openly discussed, the Prime Minister telling the provinces to impose it, though Mr Jaffrey believes this is unlikely to happen in the next three years. The Punjab Assembly having twice passed a resolution against it.

For a policy based on moving away from state enterprise to private sector, the confidence of the business community is essential. It still distrusts Ms Bhutto, remembering her father's nationalisation programme, but after her promises and apparent unwillingness to embark on any wild schemes, it is learning to live with her. Apprehensions that her labour policy would provoke a wave of strikes have so far proved unfounded.

According to Mr Jaffrey, the main problem now is the strain on the fiscal system. "The private sector is affluent and generating demands we cannot meet – phones, airlines, rail, power, roads. There will come a time when the private sector cannot grow because we cannot provide these things [illegible] our effort with the IMF is to restore the balance between private sector incomes and our fiscal system. It is better to have fewer factories and provide them with adequate power than lots of factories lying idle because we have no power."

The cautious nature of the budget shows Ms Bhutto's Government does not yet have the confidence for controversial measures. But, says Mr Jaffrey, it has "gone to the limit of what can be done and still be politically acceptable."

Christina Lamb

POWER GENERATION

Enter the private sector

KNOWN IN Pakistan as Mr Power, Mr Akram Khan has made solving its growing energy crisis his mission for the past 11 years. Now, as adviser to the Ministry of Water and Power, he is spearheading a sweeping change of policy, bringing the private sector into power generation.

With less than 40 per cent of Pakistan's 46,000 villages electrified, electrification of villages was a potent election slogan in last November's elections but as Mr Khan points out, "the more villages we electrify the greater the problem as Pakistan just does not have enough power."

Power breakdowns are a part of life and those setting up factories must have generators or face constant interruptions. Pakistan presently produces 7,000MW, (55 per cent thermal, 45 per cent hydro), leaving a shortfall of 1,800MW. But with demand for power going up more than 11 per cent a year, by 1993 Pakistan could need about 6,000MW more power, requiring an investment of $6bn that the Government has no means of affording.

Nuclear power is not an option beyond the small 100MW plant in Karachi because of Indian suspicions and threatened cuts in US aid so the Government is trying to overcome the deficiency by bringing the private sector into power generation for the first time, building, financing and operating power stations.

To demonstrate its commitment to solve the energy crisis, the first major economic act of Ms Bhutto's Government in December was to increase the budget allocation for energy by 6 per cent. In last month's budget she allocated about 49 per cent of development funding to fuel and power.

Under the 1989-93 Five-Year Plan $7.5bn – 37 per cent of the total budget – has been allocated to energy. The Seventh Plan for 1989-93 provides for an additional generating capacity of 6,600MW of which it is hoped 2,000MW will come from the private sector.

The private sector policy provides for "build-own-operate-transfer" (BOOT) projects under which a special project company, incorporated in Pakistan, finances and builds a power station and operates it for a concession period of more than 20 years, sells power to the Water and Power Development Authority (Wapda) under long-term contract, then transfers it to the Government, in effect giving it a power station for nothing.

The Government has set up a Private Power cell, headed by Mr Khan, to specify and approve such private sector projects and agree the purchase price. A Private Sector Energy Development Fund has been established to assist private sector companies using loans from multilateral and bilateral aid agencies.

So far, the Fund has had firm commitments from the World Bank, Asian Development Bank and Nordic Bank. It expects to raise $630m of which more than $350m is already pledged. As it is the first time the World Bank has been involved in lending money for private sector power projects, its $150m commitment has encouraged other donors.

The Fund will lend up to 30 per cent of the total cost of approved projects though no more than 50 per cent of foreign exchange costs at the current interest rate of 14 per cent a year with an eight-year grace period, then 15 to repay. As a further incentive, private sector power project companies will be exempt from corporate tax and certain customs duties.

Agreements for the first project are due to be signed in August – a Saudi-British project for a 1,200MW oil fired unit to be located near Karachi. Letters of intent have also been issued for a Habibullah-Siemens 130MW fluidised bed coal combustion plant at Lakhra and a 300MW oil-fired plant by the Fauji Foundation.

Mr Akram admits the problem is not simply a matter of expanding the energy supply – the country needs to use its present capacity more efficiently and produce more domestic energy resources. In 1987, for example, Pakistan spent $1bn or a quarter of its foreign exchange earnings on oil, 77 per cent of it imported.

Pakistan is well endowed with hydro, natural gas, coal, and petrol. Although present hydro capacity is only 10 per cent of the estimated potential, the Government has reached a stalemate on new hydro projects because of the upfront cost and political disagreements between the provinces.

Mr Farooq Leghari, the new Minister for Water and Power, believes coal is the answer and wants to increase production by 200-300 per cent. The Geological Survey of Pakistan finds new coal almost daily, but actual production is low.

The main constraint has been structural, the power sector being dominated by two relatively inefficient giant corporations. The state-owned Wapda is the largest employer in the country and is charge of all power except in Karachi which is supplied by the Karachi Electricity Supply Corporation. Both have two-year backlogs and suffer from a lack of planning and accountability.

The energy situation is believed to be a major factor behind the poor growth rate in large-scale manufacturing of only 1.2 per cent this year against a 10.6 per cent target. For the moment all hopes rest on the new private sector projects. According to Mr Khan, "if this can be done successfully without people feeling anyone was getting unfair benefit, then it could be the means of solving our energy crisis."

Christina Lamb

Hub River deal may be copied

IN 23 years' time the Pakistan Government will receive a 1,200MW power station for the princely sum of one dollar, writes Christina Lamb.

The biggest power station in Pakistan and one of the largest in the world, the Hub River project will be the first private sector power generation project in Pakistan under the "Build-Own-Operate Transfer" (BOOT) policy.

The Hub River Group, the company specially formed for this project, is headed by the British company Hawker Siddeley and the Saudi company Xenel. It will operate the plant for its first 23 years before it is handed over to the Government.

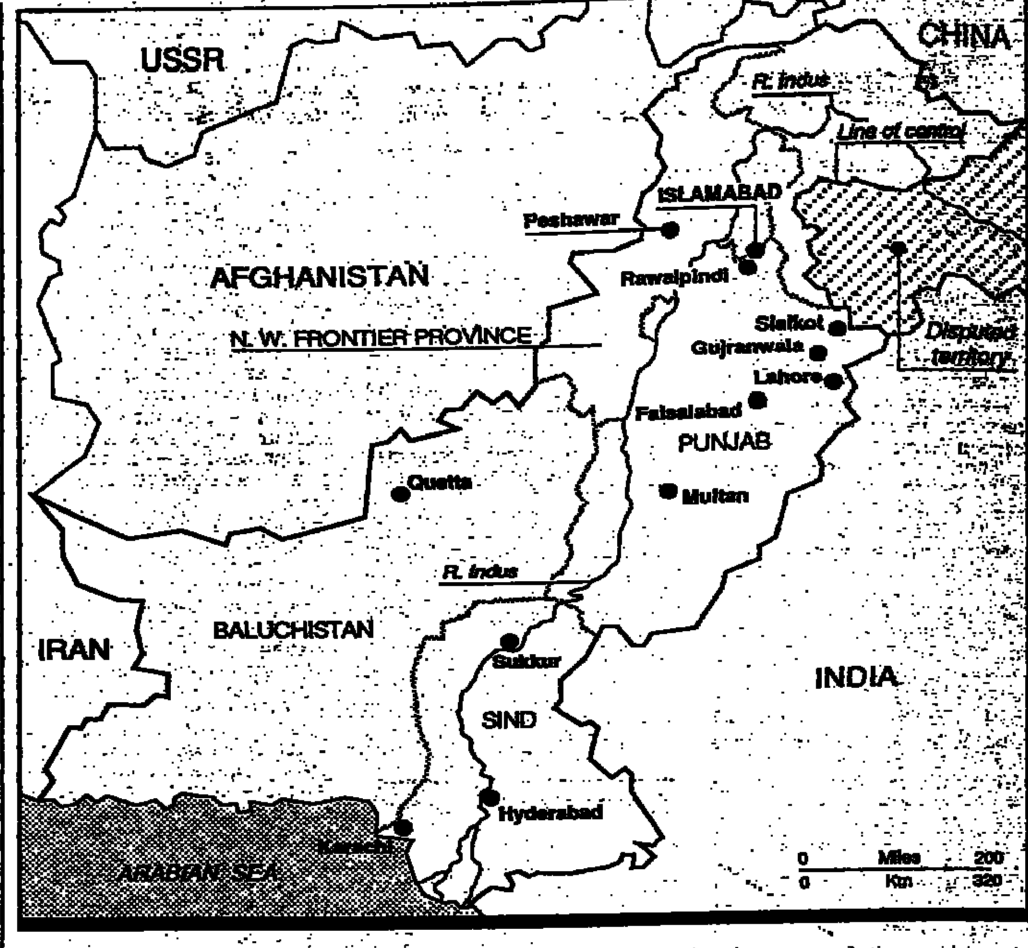
Agreement should be finalised this summer for the 1,200MW oil-fired unit to be located near Karachi and the group hopes to begin operating the first 300MW unit in January 1992.

The project is expected to cost $930m, of which 30 per cent will be loaned from the newly created Private Sector Energy Development Fund, the money to be recouped by selling power at a pre-arranged price to Pakistan's Water and Power Development authority for the first 23 years of operation.

In the next five years Pakistan hopes to increase its capacity by 8,000 MW. According to Mr Ibrahim Elwan of the World Bank, which is contributing to the fund, bringing it for the first time into private sector power generation, in the public sector this would cost Rs135bn but by using the private sector to provide a third of this it will cost Rs94bn.

Mr Mike Kappaz, chief executive officer of Hub River, says the BOOT concept ensures that there are no attempts to cut corners. "There is a self-directing mechanism for quality. Usually, constructors leave once they have finished so they are interested only in delivering at the lowest possible price, but here we have to live with whatever we build and operate it for the next 23 years."

Mr Kappaz believes this, the world's first BOOT project, will be widely copied by developing countries unable to afford to build their own power stations. "It is putting all of the risk and financing of construction and operation on the private sector, leaving government free to use its borrowing capacity to do other things. If this is successful, it will be a model emulated across the world."



The cotton textile industry is in good shape

No need for relief

JUDGING by advertisements published regularly in the newspapers appealing to the Government for relief, it would be natural to conclude that the Pakistani cotton textile industry is on the verge of collapse.

Nothing could be further from the truth. Of the 83 mills whose 1987-88 results were analysed by the All-Pakistan Textile Mills Association (Aptma), 74 made good profits and 11 were in the Government's coveted list of top 25 companies.

The Dewan Textile Mill paid a dividend of 92.5 per cent. Several mills worked 362 days a year, three shifts a week.

The industry is the prime earner of scarce foreign exchange. "Our problems are genuine," protests Mr Bashir Alimohammed, the Aptma chairman. "Our facts are correct. We are merely well-organised in presenting them." Just how well becomes apparent at budget time when the Aptma machinery works overtime to protect its members' interests.

According to Mr Wasim Jaffrey, one of the formulators of the June 1989-90 budget, the industry is ridiculously undertaxed. One example: on yarn exports of Rs9.5bn, the industry paid export duty of Rs900m. Hence the budget originally proposed a wide spectrum of fresh taxation. The depreciation allowance was reduced from 40 to 25 per cent. A 15 per cent tax credit modernisation equipment was dropped. Textiles' status as a "key" industry was withdrawn and a 12.5 per cent sales tax imposed.

In the face of an orchestrated attack from all sides of the textile industry, the Government remained firm. But the industry wrested one significant concession. The sales tax was altered to a flat rate of Rs0.25 a yard at the processing stage. Despite its budget setback, the textile lobbies have not yet thrown the towel into the ring.

Such militancy is of recent vintage and has a positive side: to some extent it has energised the industry. Pakistan had a key role in the textile world but lost its lead in the early 1960s to the textile tigers of Japan, Taiwan, Hong Kong and South Korea. Although textiles were spared in 1971, when Mr Zulfikar A Bhutto, the Prime Minister, nationalised a number of industries, fresh investment declined sharply.

Since 1986, the industry has seen a comeback. The uptrend favours all sectors, from spinning to weaving, processing to ready-made garments and for both the domestic and international markets. Sustained government encouragement has created cheap and good quality raw cotton. Labour is cheap and in some areas skilled. Internationally, a textile boom encouraged a revival of shut spinning capacity, and domestically a measure of political stability aided the process.

The pace is quickening and will grow stronger as the textile tigers move towards finer quality textiles, leaving a vacuum in the medium quality market for less-developed economies to tap. Pakistani mills are waiting to fill this position and have begun investing in capital equipment. The major investment is in spinning.

Industrialists are not the only happy class. So are the agents of international textile machinery manufacturers. "The last two years have been among the best I've had. I sold 40,000 spindles and 200 looms. I expect good orders from the weaving sector," says Mr Imtiaz Rehmani, an agent for Italian companies Marzoli and Vamatex. Success in exporting raw cotton, yarn, cloth and ready-made garments has made Pakistani mills eager to dominate the world stage.

"We will make all others, such as Korea, close down," says Mr Zahid Bashir, a second generation member of the aristocratic Crescent group, probably the largest textile group in the country, working 250,000 spindles and 1,800 looms through nine mills. This group's total sales are in the region of Rs5bn, though not all of this is contributed by textiles or through public companies. Twenty working family members manage 25 companies with interests as diversified as jute, sugar, engineering and insurance. Recently the group obtained government approval to found an investment bank.

Despite the export emphasis on other Asian countries, a couple of progressive mills have set their sights on the European market. Perhaps the most successful is Gulahmed Textile Mills (sales Rs671m). Managed by Mr Alimohammed, the Aptma chairman, the Karachi-based unit is an integrated operation, spinning yarn, weaving cloth, processing it, stitching it into ready-mades according to specifications supplied by European department stores, particularly those in mail order.

Assessing the possible impact of 1992 on his company, Mr Alimohammed says: "We have registered our brand names in Europe. We are trying to speed up and improve on our service. But then so are European companies looking to the future. They are merging with each other, and in the process becoming not only stronger but also more cost-effective through the reduction of staff and lower overheads.

"The market is going to get more ruthless, the competition fiercer, but I will be there."

The raw cotton exporters also feel happy with the way things are going. In July 1988 the Government partially privatised this trade which was nationalised in November 1983. However, it still maintains overall control. The minimum export price of lint cotton, for example, is worked out by a committee and announced on a daily basis. Export prices have to be contracted at or above this level, and all export contracts must be registered with the State Bank of Pakistan.

Old trading families, such as that of Mr Akbar Mushwani, who exported almost Rs1bn worth of cotton in less than a year, feel rejuvenated. "We had maintained our old contracts down the years. Next year, if the crop is good we can do better," he says. There are bound to be a few flies in the ointment, however; the ethnic violence and labour unrest in Karachi are explosive issues, curfews have led to missed shipments which do nothing to bolster confidence in Pakistani reliability among international buyers. Power shortages are endemic. But given Aptma's lobbying expertise, happy days should be here to stay for the cotton textile industry.

Gita Piramal

مكتب من الأصل

Christina Lamb looks at the country's single largest sector

Farming in a feudal society

THE JEEP speeding through villages in southern Punjab, Pakistan's agricultural heartland, nearly knocks over three underfed peasants. Inside smirks a distinguished-looking man and three heavily-armed bodyguards. He must be someone important.

"It's the assistant irrigation director," explains one of the peasants, "he controls a canal system and is collecting his fees for distributing water to certain farms."

That, in a nutshell, is what is wrong with Pakistan's agricultural system. In a predominantly feudal society, those with money and influence have access to all available services — water, credit, advice, fertiliser, seed — while the rest who are mainly illiterate continue with the primitive methods of medieval share-croppers.

Thus yields for the 90.8 per cent of farmers who have less than 10 hectares are among the lowest in the world, while a few of the big farmers are up with the leaders. According to the 1980 Agriculture Census, the 9.2 per cent of farms above 10 hectares, which can presumably afford to pay for services, cover 41 per cent of the cropped area. However, the number of farms smaller than two hectares actually rose from 28 per cent in 1964 to 34 per cent in 1984 because of the fragmentation caused by Muslim inheritance law.

Mr Peter Nottidge, the World Bank's agriculture expert in Islamabad, explains: "Farmers in Pakistan are totally at the mercy of a system designed to suit the feudal landlords where credit, irrigation, and input supply goes almost entirely to those with rupees and clout."

He believes the biggest problem is water management, as much as 45 per cent being wasted. "Small farmers are not prepared to invest at optimum levels because they have no guarantee they will get water when needed." Large landlords who do not have friends in irrigation can afford tubewells.

Since water allocation has never been agreed among the four provinces, each is determined to show it needs the most water, so there are shortages in some areas and floods in others. The lack of drainage causes silting of canals, waterlogging and salinity, particularly in Sind which a Western aid expert says "is rapidly turning into a desert." According to an Environmental Management Society report, 40,000 hectares of the 20m cropped go out of production annually, causing a Rs36bn loss.

Credit is also a problem. A former finance minister claims only 12 per cent of interest-free credit for small farmers actually goes to them, large landlords often using their tenants to pocket it. In one case, 400 grants in different names were traced to the same farmer.

Pakistan's agriculture may be inefficient and badly managed but it is still the single largest sector, accounting for 70 per cent of export earnings and employing 55 per cent of the workforce as well as providing the base for the country's major industry — textiles.

Although this year agricultural growth was good — 6.1 per cent (target 6.9) compared to last year's dismal 2.7 per cent, experts insist more rapid growth is needed to cope with

The population growth rate is one of the highest in Asia

a population growth rate of 3.2 per cent, one of the highest in Asia, which will increase the population from 109m to 150m by the end of the century.

The National Commission on Agriculture Report, published last summer, points out that the gap between demand and production of current deficit products such as edible oils, milk and sugar is increasing at an alarming rate and deficits are appearing in food grains, meat and pulses.

This year the country's sugarmills produced 1.8m of the 2m tonnes required, though by the end of the century the Commission believes domestic needs will have increased to 3.2m tonnes. Pakistan had to import 2.25m tonnes of wheat, though officials claim much wheat was smuggled into neighbouring countries such as India and Afghanistan where prices are higher.

The Commission evolved a strategy to regain self-sufficiency in sugar and pulses and producing exportable surpluses of basmati (1m tonnes), cotton (5m tonnes), coarse rice (1.3m tonnes) and more than 0.5m tonnes of fruit and vegetables to increase the contribution of agriculture to the economy to $11bn by the year 2000.

The main emphasis is on high value goods such as horticultural products for which the value added is three times higher per hectare than agricultural crops and the Islamic world provides a ready market, as well as farm-based processed goods such as cotton yarn and cloth, giving tax incentives to encourage production. A major problem with fruit and vegetables is packing and processing — up to 40 per cent is wasted and fruit juice plants and the dried fruit industry are in their infancy.

In the past, there has been considerable investment in agriculture but it has often been badly utilised. Projects were at a standstill because of bureaucratic procedures. The new Government says it is committed to improving technical expertise and is encouraging joint ventures, removing restrictions and working with the private sector on aid programmes to increase the yields of major crops including cotton, maize, wheat, sugar cane, fruit and vegetables.

The potential for improvement is there, as current yields are among the lowest of developing countries. Production increases in the past have been due to acreage expansion rather than higher yields. Wheat is the country's main source of staple food, but its yield has been rising only 2.2 per cent on average a year. Some 40 per cent of total wheat acreage still uses old, disease-susceptible varieties.

In cotton too, Pakistan's major cash crop in which it is the world's fifth largest exporter, there is considerable room for improvement with yields less than half the average in Australia. With an Asian Development Bank loan of $66m, work has started on modernising the sector. Sugar yields are around half those of Indian Punjab.

Another reason for slow development has been too much emphasis on the home consumer with low support prices and government control of procurement and export of crops. Last year cotton and rice were deregulated and support prices raised, rice export earnings jumping to $320.2m compared with $18.1m in 1981.

Pricing policy is also blamed for Pakistan's poor performance in oilseeds which the National Commission describes as "the most notable agricultural policy failure in the past" with 65 per cent of domestic consumption of edible oil imported. Subsidies to keep prices low have led to smuggling to neighbour countries where prices are high.

The biggest expansion effort is now in livestock. Higher living standards and population have increased demand for red meat and milk, changing production from subsistence to commercial. At present 80 per cent of the 13m-tonne milk production is still in the hands of subsistence smallholders with no system for processing, collecting or marketing and much milk powder is imported. By 2000 Pakistan will require 28m tonnes, two-thirds of which is to come from buffaloes and several foreign companies are helping set up dairies.

Pakistan's politics are dominated by feudal landlords who constantly block the introduction of agricultural income tax. But officials in the Planning Ministry believe improvements in yield and distribution of inputs must come quickly. "With the population growing so fast, it's becoming a constant battle to feed ourselves."

A sunflower field: horticulture pays better than agriculture

TOURISM

Adventures and fairy tales

"WHY DO you want to go to Sind? — there's nothing there but Islamic art and ancient architecture," said an official in Rawalpindi tourist office, adding that I was his first foreign visitor in two weeks.

Pakistan has an image problem. One of the most fascinating and varied countries in Asia, it constantly undersells itself. Many people imagine it to be nothing but desert and curry houses. Previous governments have done little to change this impression with brochures like that on Multan, which starts off by describing it as a city of dust and beggars.

Having wars on two borders in Iran and Afghanistan through which many tourists used to come has not helped, the number of tourists dwindling from more than 500,000 in 1979 to 465,000 last year. And many of those were Indians visiting their families.

Statistics are hardly encouraging — last year Pakistan reputedly had the highest number of terrorist acts in the world and third largest number of traffic accidents, while frequent riots in Sind with masked gunmen running amok and a long history of martial law do not help, particularly when Islamic laws mean one cannot even take solace in a drink. Foreigners must go through lengthy procedures to get a permit for liquor that is available at only a handful of top hotels and comes wrapped in newspaper to impress with the enormity of the sin.

Visits to Pakistan can seem more like a battle than a holiday. Flights are always "completely closed" unless one knows someone in the airlines, the railway booking clerk insists he can sell tickets only for sleepers even for trains travelling at daytime and does not even possess a timetable, saying vaguely, "train goes sometime in evening."

Ms Bhutto's Government is eager to improve facilities and gain a huge potential source of foreign exchange. Tourism currently brings in only $165m, down from $180m in 1980, but a recent accord with Turkey to exchange groups and better relations with India are expected to help.

Mr Yusuf Raza Gilani, the young and enthusiastic Tourism Minister, says: "Although meagre resources mean we cannot afford a glossy PR campaign, we are forming a new tourist policy to ease visa restrictions and give more facilities in transport, hotels and particularly information so that from the moment a tourist arrives at the airport, he is guided rather than abandoned as at present."

Mr Gilani hopes this will be done through private sector investment, particularly from abroad, and to encourage this he has for the first time declared tourism an industry, entitling investors to concessions such as tax holidays, repatriation of profits, fixtures imported duty-free, and cheaper gas and electricity. There is plenty of scope for investors as at present Pakistan boasts just one five-star hotel, and there are no hotels at all in such cities as Multan, Hyderabad and Sukkur.

For a holiday with a difference Pakistan is unbeatable, though it is not for the faint-hearted. A thirst for adventure can be easily quenched with camel-rides across the desert, boats down the foaming Indus, home to the world's only blind fresh-water dolphins; one of the world's most dangerous and spectacular flights in the shadow of five of the 10 highest peaks and some of the largest glaciers.

If this sounds tame, how about firing rocket-launchers in Darra, a Wild West town where every kitchen doubles as a gun factory, making everything from pen pistols and Kalashnikovs to anti-aircraft guns? The trade began last century when the British, fed up with tribal warriors stealing their arms, allowed them to make their own. Now they are so advanced that they recently offered to provide the Air Force with F16s. Special permits are needed to visit the tribal areas.

Tourism is one of many areas where Pakistan feels overshadowed by her big neighbour. But forget India and the Taj Mahal; Lahore is where its creator Shah Jehan started, building an exquisite tomb for his father Emperor Jehangir. It is a strikingly similar forerunner to the Taj, but

The first ski-resort, in Swat, is due to start operating this season

at Jehangir's Tomb, instead of hustlers trying to sell plastic models, tourists are likely to be pestered only by the few monkeys in its leafy gardens. The Moghul city of Lahore has many such treasures now being renovated. Its heady bazaars are pure Arabian nights, while recent chief ministers have turned it into a city of parks and fountains.

The 16th and 17th century Moghul empire was only the most recent of the three great civilisations of which Pakistan has been the centre. Moenjendaro or "Mound of the Dead" in Sind is one of the world's oldest cities — part of the Indus Valley civilisation which flourished 4,000 years ago. Over 2,500 years ago the Gandharan civilisation took root and an area, stretching from Rawalpindi to Peshawar to Swat, became for many centuries the spiritual centre of Buddhism, leaving many ruins such as the stupas and monasteries of three great cities which existed between 600 BC and AD 600 in the 11-mile valley of Taxila where Alexander the Great once discussed the meaning of life.

There is no good reason to stay in Islamabad. Most people head north for the mountains and the quaint if slightly tatty British hill stations or, taking their lives in their hands, drive west on the Grand Trunk road to Peshawar. Built by Moghul emperor Akbar, originally from Kabul to Delhi, today it is a hair-raising jumble of oxen, horse-carts, garishly painted buses and tarpaulin-covered lorries bearing arms for the Afghan resistance.

In Peshawar merchants from across Asia sip tea and swap tales in the bazaar where items for sale range from carpets woven by Afghan refugees, dried fruit, brass and embroidery to smuggled Chinese toilet paper and Japanese electronics. These have come across the Khyber Pass by mule along tracks or in overladen trucks on the road built by the British in 1842 and lined with forts and pickets as part of their forward policy to prevent the Russians invading the sub-continent. The scene of many battles during the Afghan Wars, the pass is evocative with the insignia of regiments which have served there painted on rockfaces and peppered with mud-forts from whose towers sullen Pathan tribesmen slung with Kalashnikovs study their enemies.

The most popular destinations are the northern areas of which Swat is the most accessible, a picturesque mountain valley ideal for walking and trout-fishing reached through the dizzying Malakand pass on which stands a picket once manned by Churchill. Pakistan's first ski-resort is due to begin operating in Swat this season, and the Government is now looking for private companies to run the resort.

Further north are the trekking centres and fairy-tale landscapes of Gilgit and Hunza on the Karkoram Highway, an engineering feat for which some 500 Pakistanis and Chinamen laid down their lives, passing among 70 mountains over 20,000 ft and some of the world's largest glaciers, linking Pakistan and China on the old Silk Route. An 1986 agreement with China allows foreigners to cross the border, and flights are due to start between Islamabad and Sinkiang.

With the rupee still on a downward slide, making prices cheap, the Pakistan tourism industry has great potential.

Christina Lamb

LEGAL COLUMN

Battle of the sexes wages over solicitors' pay

By Robert Rice

DO MALE solicitors earn more than female colleagues doing comparable work? Sadly, the answer is yes, according to a recent survey of 1,060 assistant solicitors aged up to 50 working in private practice in England and Wales.

The survey of assistant solicitors salaries is carried out every year by Chambers & Partners, the legal recruitment firm. The figures, based on questionnaires completed in January, show that average annual salaries rose by 22 per cent in 1988.

The rate of increase was greatest in the lower-paid areas of the country, such as the north and Wales, and lowest in London and the south-east. In the City the rate of increase was just 14 per cent. Chambers predicts a slowdown in the rate of increase for 1989 as the recruitment crisis in the profession begins to ease.

For the first time this year, however, the survey has compared the remuneration of male and female assistant solicitors in different parts of the country, and in different areas of the law.

The results paint a rather unhappy picture for a profession which has been struggling admirably in recent years to come to terms with the fact that women account for almost 50 per cent of its graduate entrants each year.

The figures show no uniformity in terms either of location or of specialisation. In some areas of the law, women are paid much the same as men. In others considerably less. In London, men's and women's salaries are roughly similar. In the City, they are virtually the same.

In the Midlands men earn 25 per cent more than their female counterparts, however, and in Wales the figure is is nearly 20 per cent.

Comparing male and female assistant solicitors according to location, the accompanying table demonstrates that the greatest equality of remuneration is found in London. In the West End and the suburbs, men's salaries are about 5 per cent higher than women's.

In the west of the country, both south and north-west England, men's salaries are about 12 per cent higher. In the north-east, the gap widens to 15 per cent; in Wales to 18 per cent and in the Midlands to 25 per cent. Overall male assistant solicitors earn about 9 per cent more than female.

Comparing the figures according to areas of specialisation, with one exception, men earn more than women in all areas of the law.

The exception is commercial conveyancing, where women apparently earn 2.6 per cent more than men. Chambers point out however that this figure is so marginal that it could well be unrepresentative.

The greatest salary differential is among company and commercial lawyers, where men earn about 12 per cent more than women. The next largest gap is in criminal law where men earn about 11 per cent more than women. In other areas, such as litigation, probate and trusts, matrimonial and tax the differentials are much closer they range from 1 per cent to 4 per cent.

The Association of Women Solicitors, not surprisingly, says it is "staggered" by the figures. It is so alarmed by the differentials in Wales and the Midlands that it has canvassed members in both areas to seek an explanation.

Comments from the Midlands suggest that there are a large number of women with *families, who work, and many* have accepted lower rates of pay for the flexibility of being able to take time off work for their children's activities.

Members say they are not aware of any general complaints by women, but if there is a difference of 25 per cent between men and women doing a similar job with similar hours then clearly it would be a matter of grave concern. In Wales, members felt part-time work was not paid on a pro-rata basis and therefore the salaries of women working part time were lower.

The chairman of the AWS, Ms Karen Richardson, a partner in City solicitors Travers Smith Braithwaite, says the association's standing working party intends to investigate the situation as soon as possible.

"We would want to make *sure that people's awareness* was raised so that our members do not accept lesser expectations and should push for at least equal treatment with their contemporaries."

The relative equality in salaries in the City is encouraging, she says, but may have more to do with market forces than altruism.

In general, however, City law firms are beginning to adopt a far more flexible approach to combining careers with family life. City lawyers Denton Hall Burgin & Warrens are a good example.

Last week the firm announced that it was implementing the recommendations of a document entitled "Combining a Career and Family Responsibilities" – drawn up by an internal working party – which sets out changes to the firm's existing structure and working patterns to enable its women partners and staff "to develop their careers within the firm while maintaining a high quality of family life."

The measures include allowing both women and men to work part time in appropriate circumstances. The firm considers the need to look after young children sufficient justification for part-time working. The nature of the work, however, must be compatible with part-time working and applicants will have to have worked full time for the firm for at least two years before they are eligible.

The firm is also permitting women a career break of up to five years after the birth of their first child and has made special arrangements to facilitate and encourage them to return to work at the end of the period.

Following the birth of each of her first two children a mother will receive a maternity bonus if she returns to work after her statutory maternity leave. Fathers will be entitled to five days paid paternity leave.

The highly publicised recruitment crisis in the profession has lead an increasing number of firms to think hard about the needs of women. But credit must go to Denton Hall Burgin & Warrens for being one of the first to undertake a serious study of the issues and act on its findings.

REMUNERATION BY LOCATION

£	Men	Women
City	31,709	31,638
West End	27,937	26,458
Suburbs	21,630	20,401
South-east	21,630	19,845
South-west	20,182	17,943
North-east	18,839	16,375
North-west	18,679	16,800
Midlands	21,258	16,899
Wales	20,280	17,107
All	22,502	20,621

All figures show total remuneration including bonuses and benefits

REMUNERATION BY SPECIALISATION

£	Men	Women
Company/commercial	28,373	25,183
Commercial conveyancing	23,317	23,940
Residential conveyancing	19,784	19,220
Litigation	21,680	21,377
General	19,472	18,302
Probate/trusts	19,398	19,207
Matrimonial	18,769	18,016
Crime	20,504	18,446
Tax	24,442	23,905
All	22,502	20,621

All figures show total remuneration including bonuses and benefits
Source: Chambers & Partners, Assistant Solicitors in England & Wales, Salary Survey 1989

LEGAL APPOINTMENTS

ARTS

ARCHITECTURE

Love the landscape rather than colonise it

Kenneth Clark wrote in 1949: "Almost every Englishman, if asked what he meant by 'beauty,' would begin to describe a landscape – perhaps a lake and mountain, perhaps a cottage garden, perhaps a wood with bluebells and silver birches, perhaps a little harbour with red sails and white washed cottages; but at all events a landscape."

Clark's view still holds. But is there a danger that this native appreciation of the landscape is partnered by a powerful wish to colonise the countryside and evacuate the less than desirable cities?

Last week two relatively quiet events focused attention on the English countryside. One was the celebration held by the National Trust in Derbyshire to mark the restoration and opening of Calke Abbey. The other was the publication of the views of the Countryside Commission, explaining that it did not consider that it was its job to "blunt the aspirations" of people who want to move out of our cities; instead it sees its role as that of a guide, making suggestions about how to deal with the large scale movement out of the towns into the country which it regards as inevitable.

Underlying much of Government planning policy is a consciousness that agriculture is changing, and changing fast. The over efficient Euro-farming machine has given birth to the idea of "Set Aside," with farmers and landowners being encouraged to find new uses for land once used for growing food. A recent planning guidance discussion document from the Secretary of State for the Environment suggests that farmers can hold clay pigeon shoots, allow motor bike scrambles and various other activities on their land without planning permission.

The idea of new villages is very much in the air. But these new villages will be housing not farm workers, but commuters and the growing number of people working from home. Barns and buildings once used for agricultural purposes are being converted in large numbers into homes and workshops. The large scale public expenditure on new roads and by-passes has added value to building land on the edge of country towns and villages; it has also encouraged a flourishing aggregate quarrying and gravel excavation business that is leaving its scars on the landscape.

Calke Abbey in its beautiful park, preserved by the National Trust as a true vision of English country life

The "Poundbury Planning Weekend," held by the Duchy of Cornwall recently to encourage public discussion of its plans to build on farmland around Dorchester, brought into focus many of the anxieties of people when faced with inevitable growth of a small country town. Inspired by the commitment of The Prince of Wales to improve environmental and aesthetic standards, the Duchy has commissioned a plan for the growth of Dorchester, Dorset, from Mr Leon Krier that attempts to marry aesthetics and planning in a new and imaginative way.

But what is it that the English love so much about their countryside? Stand in the park at Calke Abbey and you will undoubtedly see and feel the essence of an old landscape nurtured and guarded for centuries. There is a tangible beauty, a sense of completeness as your eye follows the lie of the land towards the south front of the stone house.

The story of Calke is a fascinating one. The tale of the house where time stood still, and the complex heritage manoeuvres necessary to save it, are well known. Most remarkable now is to see the house and park under the new management of the National Trust. The Trust has, to my mind, achieved the impossible and preserved the house almost without any sign of the change of ownership. Restoration, not redecoration, has been the order of the day. Although Calke is not a house that offers many high aesthetic treats, it does offer a vision of English country life that truthfully includes eccentricity, decay and even philistinism.

Many studies of life in the English country house ignore the importance of animals to most Englishmen. Most aesthetes' houses are dogless and horseless. Calke is the opposite, and I hope that the National Trust will, as they promise, maintain the livestock and bring back the blacksmith as well as the baking and brewing.

There is no reason why horses, riding lessons and educational activities concerning the countryside should not play a part in the future of Calke Abbey. In fact, visiting the house at Calke is only a fraction of the total experience, and I am sure that the National Trust is going to have to take a more active educational role when it comes to the future of the countryside. As the nature of the national agricultural life changes in a way that will have as much effect on the land as enclosures and the dissolution of the monasteries, education becomes more essential. The days of thousands of visitors just looking at vanished ways of life must be numbered.

Calke Abbey represents something of a breakthrough for the National Trust. Visitors are not being offered the ersatz "lavender bag" view of the past, but a powerful meeting of landscape and everyday history. In the apparently untouched stones of Calke may lie the secrets that can teach new generations to love the land and not suburbanise it.

Colin Amery

Singin' in the Rain

LONDON PALLADIUM

The chief hero, or villain, of the piece is nowhere named in the programme. This is Tommy Steele's dentist; an accomplice in the star's plot to dazzle us for two and a half hours with a display of incisors, canines and molars to take the place of acting, characterisation or analysis.

Not that the stage work cobbled from the immortal Gene Kelly film demands Stanislavsky. But returning to the Palladium after four years, more immediately from a season in Manchester, the direction – by Tommy Steele himself – has the smooth, mechanical efficiency of routine.

The songs and much of the dialogue are belted out with the vehemence of those who have forgotten what the words actually mean.

And the Bermondsey boy wonder is now a middle-aged man who relies on what Françoise Sagan would certainly describe as *un certain sourire*, ranging from engaging quizzicality to beaming inanity.

The limitations of the stage make some of the dance routines look static and uninventive. "Moses Supposes" and "Good Morning" seem to need either superb dancers or charismatic performers for their energetically casual whimsy; and the title song, even without unfairly comparing it with Kelly's dancing in Stanley Donen's unforgettable long take, becomes merely a pleasant man covering and re-covering a restricted space while stage water obligingly pelts down from the flies.

Ironically, the programme subsequently revealed that the choreography for these numbers are the film's original, by Kelly and Donen themselves.

Evidently the flexibility, sinuousness and varied viewpoint of cinema makes all the difference.

Meanwhile, the story of a Hollywood moving panic-stricken from silents to talkies (shades of Kaufmann and Hart's *Once in a Lifetime*) is diverting, though Betty Comden and Adolph Green's screenplay should sound wittier than this.

The songs by Nacio Herb Brown and Arthur Freed are reinforced by other hands, notably the Gershwins', and contain some imperishables – though I have to admit a preference for Twiggy's version of "You Are My Lucky Star," as interpolated into Ken Russell's *The Boy Friend*, to Mr Steele's. His voice curiously resembles Kelly's in its covered, slightly froggy quality.

The supporting cast is good, although Bunny May's horn-rimmed sidekick (the Donald O'Connor role) needs some time to warm up – and the whole part cries out for a real American, not the English hoofers of Mr Steele's adaptation.

Danielle Carson looks as if there might be more fire than the production allows her aspirant actress; Kalman Glass likewise promises more than the studio mogul allows him.

Sarah Payne nearly steals the show as the monstrous star whose voice, a blend of Tweetie-Pie, Donald Duck and an avalanche of gravel, makes a buzz-saw sound like Jessye Norman.

Terry Parsons' sensible touring sets touch a nice Art Deco vein in a homage to Busby Berkley, when the revolve brings round twin staircases bearing leggy lovelies dripping with plumes and glitter.

We could do with more of this – and less of slavish respect for the original.

Martin Hoyle

Sons of Bitumen

ICA

The interlocking passages of fact and fiction, art and life, role-play and reality are so well-trodden by the proponents of new theatre that one would imagine there were few hidden chambers. It is part of the ingenuous appeal of this area that there is always someone who has just discovered it, and who turns up excitedly to report the discovery.

One such group is the Nottingham-based Dogs in Honey, an ensemble of four men, directed by a woman (Sarah Tutt), whose ironically-titled *Sons of Bitumen* explores the male mind, knocking its icons for six, whether they be Jesus H. Christ or "Paul Newman, Paul Redford and Paul McQueen."

The setting is a variation on the Absurdists' small room with no way out: a public urinal in which the quartet – clad in oilskins and gas masks – are sheltering as quite possibly the only survivors of that other Big Bang. Arrayed at the front are three microphones, true to another convention of the avant garde, that life is a cabaret. Ashes to ashes, we are told by a character with lank brown hair who apparently believes he is Jesus. There is an audible sigh of relieved recognition as he follows it with "...but it's not that kind of show."

The apocalyptic scenario, it soon becomes clear, is not an end in itself but a means of isolating and examining the peculiarly humdrum and hidebound conventions of everyday life. Deprived of food, they fantasise about banana skins and foot-shaped ice lollies; deprived of television they improvise their own programmes, with weather reports that snow sheets of loo paper; deprived of alcohol they whirl themselves into a dizzy stupor and retreat back into their cubicles.

If it is about behaviour it is also about the representation of that behaviour: truisms about the the media are dropped from a great height, some falling like bricks, others oddly affecting, as when a yobbishly shaven-headed Philip Hughes walks up to a microphone and begins to explain with a mixture of aggression and bashfulness how he has always hated theatre, how "doing this" on a £5,000 Arts Council grant is better than being on the dole and, finally, how entertainment is part of survival.

It is a personalised testament of breaking through preconceptions to a realisation that there is more to that entertainment than watching men thump each other in the boxing ring. Levity, though, is never far beneath the surface and no sooner is a point made than it is mocked. There is a zany surrealism to the antics of the four, and a zany profligacy in their references to everything from opera to movie melodrama.

The star turn of the evening comes when, commanding a red light, they line up at microphones and in (almost) perfect unison croon a soul number based on the characteristics of their zodiac signs. The routine just about sums them up: yes, we have seen it done before – rather more slickly on some occasions – yet the appeal of Dogs in Honey is that they don't pretend to be slick or sophisticated. Their £5,000 Arts Council grant is spent on an act of communication which works because of, rather than despite, its rough edges. In deconstructing their art they have also deconstructed themselves.

Claire Armitstead

ARTS GUIDE June 30-July 6

MUSIC

London

London Chamber Orchestra, classical and rock concert, with Christopher Warren-Green (violin). Elgar, Vaughan Williams, Britten, Bicât. Barbican Hall (Tues) (638 8891).

Summer festivals in France.

Orangerie de Sceaux in the Paris region, July 22-Sept 3 (46600779).
Saintes in the West, July 7-16 (46925135).
La Chaise-Dieu in Auvergne, Aug 23-30 (71000116).
Beaune in Burgundy, June 30-July 22 (80222451).
Montpellier, July 11-Aug 2 (65528383).
Saint-Jean-de-Luz, Aug 30-Sept 16 (59260318).
Gnethary Piano Festival, July 2-July 12 (59265650).
Provence, Cote d'Azur. July 7-Aug 8 (90342424).
Avignon, July 12-Aug 3 (90862443).
Aix-en-Provence, 10-30 July (42233781).
La Roque-d'Antheron, Aug 1-23rd (42505115).
Menton, Aug 5-31 (93575700).

Antwerp Bad Kissingen Summer Festival

June 22 to July 16.
A local politician proposed an "East meets West" festival because of Bad Kissingen's closeness to the East German border. The fourth festival concentrates on Russia. Amon those appearing are the Dresden Philharmonic Orchestra, Dresden Baroque Soloists, Georgian Chamber Orchestra, Moscow Radio Orchestra and the Rascher Saxophone Quartett. Soloists include Heinrich Schiff, Vladimir Krainjev, Vladimir Ashkenazy, Pamela Coburn, Andreas Schmidt, Juri Bashmet, Dmitri Sitkovetsky, Siegfried Jerusalem and Waltraud Meier. There are two operas, Mozart's *Die Entführung aus dem Serail* and Handel's *Rinaldo*; also workshops and matinees with young Russian musicians and contemporary composers.

Vienna

Wiener Symphoniker, conducted by Serge Baudo, Paganini, Debussy, Roussel. Arkadenhof (Tues).
Wiener Mozart Orchester, conducted by Konrad Leitner. Mozart. Konzerthaus (Wed).
Wiener Symphoniker, conducted by Dimitri Kitaenko. Fussl, Haydn, Tchaikovsky. Arkadenhof (Thur).

Rome

Campidoglio. Open-air concerts by the Accademia Nazionale di Santa Cecilia conducted by Lorin Maazel (Wed, Thur) (6541044 or from the Campidoglio).

Amsterdam

Kwansei Gakiun University Symphony Orchestra, Masaki Nakata conducting with Frank van de Laar (piano). Schumann, Brahms (Tue) Concertgebouw.
Rubinstein Trio. Chopin, Schubert (Tue) Concertgebouw.
Royal Concertgebouw Orchestra and Horacio Gutierrez (piano) conducted by Neeme Jarvi. Svendsen, Prokofiev, Reger (Wed) Concertgebouw.

Chicago

Ravinia Festival. Nexus Percussion Ensemble. Reich, Tamitsu, Harrison, Cahn, Wyre, Cage (Mon); Artie Shaw Orchestra conducted by Dick Johnson. Gershwin, Kern, Berlin (Tue). Highland Park (728 4642).

Tokyo

Yomiuri Nippon Symphony Orchestra, conducted by Jan Pascal Tortelier, with Noriko Ogawa (piano). Debussy, Prokofiev, Strauss. Tokyo Bunka Kaikan (Tues) (270 6191).
Peter Dvorsky (tenor), with Shinobu Satoh (soprano) Tokyo Philharmonic Orchestra, conducted by Ondrej Lenard. Bizet, Leoncavallo, Massenet, Puccini, Verdi. Suntory Hall (Tues) (235 1661).
Evgeny Nesterenko (bass), with Irina Ripchevskaya (piano). Moussorgsky, Tchaikovsky, Rachmaninov, Verdi. Suntory Hall (Wed) (505 1010).
Bolshoi Theatre Orchestra. Special concert in aid of victims of the Armenian earthquake. Conducted by Mark Ermler, with soloists and chorus of the Bolshoi Opera. Verdi Requiem. Tokyo Bunka Kaikan. (Thur) (235 1661).

SPONSORSHIP

Festival time

What is claimed to be the biggest arts festival ever held in London can go ahead next September, thanks to a £250,000 donation from the Guardian Royal Exchange. This will pay for the total administration costs of the Covent Garden International Festival. In addition GRE will contribute office space and computer equipment.

The artistic director, Di Robson, who was previously at Riverside Studios and organising Glasgow's Mayfest, can now set about recruiting artists. The 12-day festival hopes to use many of the 20 theatres in the area and the Royal Opera House has already agreed to screen Massenet's *Don Quixote* in the Piazza. To ensure an auditorium there are plans to build a temporary 500-seat theatre in Covent Garden.

GRE is backing the project because it is a big landlord in Covent Garden and one that has not always had a good press from the artists and craftsmen who work and live in this lively sector. As well as a grant from Westminster City Council, other corporate money should pour in, not least from the 120 restaurants in Covent Garden, which will benefit from the influx of many thousands of visitors.

GRE has been influenced by the chance to get in early on a potentially important regular arts event, and by the big names on the executive committee, organising what will be seen as London's answer to the Edinburgh Festival – although one which intends to concentrate on the characteristics of Covent Garden. The chairman is Lord Gowrie; the chief executive is Pat Spooner, who headed the Royal Opera House Development Appeal; and other members include Colin Tweedy of ABSA, restaurateur Laurence Isaacson, Lord Stockton of Macmillans, and lawyer Sir David Napley. The festival is already confident enough of its success to be scheduling it as a biennial event.

★

The London International Festival of Theatre opens tonight with a Chilean musical at the Riverside Studios and the *Bow Gamelan*, from the East End, converting an old Thames barge into a floating musical instrument at Richmond Bridge. Once again, the directors of LIFT '89, Lucy Neal and Rose de Wend Fenton, have done wonders. Once again, sponsors have been unwisely reluctant to support this innovative arts venture with cash.

The festival has cost £560,000 to put together and sponsors were expected to contribute around 18 per cent. They have so far found just £56,000, with most of the money coming from worthy Foundations, like the Baring and the Stanley Thomas Johnson, a Swiss-based institution with its money coming from rivets, but noble supporters of the avant-garde. Mars has helped and DHL is supplying aid in kind through warehouse space and courier services. But the old criticism that companies only back the safe arts seems unfortunately to be true when it comes to LIFT.

There is still an opportunity for companies to show that they can take risks. One of the performances on the South Bank is *The Bastille Dances*, created by one of the country's foremost performance art directors, Julian Maynard-Smith, using 8,000 concrete breeze blocks. With them he creates tableaux, which are half sculpture, half performance. The audience sees the Bastille materialise, then the dresses of Marie Antoinette, and finally the guillotine and the barricades. By removing one brick the director can bring the entire edifice crashing down.

Sponsors, or individuals, can buy their own breeze block, bearing their initials. They come in three identical forms. If you identify with the workers you can be a Sans-culottes for £10 (Melvyn Bragg is a Sans-culotte); if you sit on the fence and chose to be Bourgeois your block costs £100 – as it did for architect Richard Rodgers; while Stuart Lipton, whose property company is re developing the South Bank Centre, has gone the whole hog and paid £1,000 to be an aristocrat. So far this scheme has raised £7,500 but it is hoped that the eventual outcome will be over £29,000.

The development director Julia Rowntree is constantly coming up with money making ideas for LIFT. One for this festival was a sponsored Hungarian dinner which raised £13,000. It is sad that such an imaginative venture as the festival, which is bringing over work by Indian, American, Hungarian, Russian, Swiss and Jamaican artists, should receive such pusillanimous backing from business.

★

The opening last week of the first stage of the Imperial War Museum's re-development programme should give a much-needed boost to the search for a sponsor for the museum. Director Dr Alan Borg knows he has a fight on his hands trying to find one generous company willing to provide £2m for a museum dedicated to describing 20th century conflict, even if its coverage is historical and impartial and in no way glorifying.

The imaginative re-design could calm the fears of publicity sensitive companies. Already BP has come up with £50,000 to fund an educational programme, which includes a school competition on war poetry which will take place next term. But the opportunity is there to identify closely with the most modern description of mankind's oldest activity.

★

It is very rare for a school to commission art but on Parents Day at Millfield in Somerset next Saturday there will be the unveiling of "Portal," a wooden sculpture produced on site by artist Tom Harrisson. It marks the start of the Millfield Commission which is designed to bring new works of sculpture to the grounds of the school.

There is already a Millfield Open Art Competition, with £2,000 in prize money. Over the next decade the School can confidently expect to have the finest collection of modern art of any comparable educational establishment. Artiste Gallery in Bath is assisting in the project.

★

Another unusual setting for art is Ealing Hospital. Last week the William Hobbayne Gallery opened in the entrance hall of its new maternity wing. It is being mainly financed by Yasuda, the Japanese insurance company best known for buying Van Gogh's "Sunflowers" for £24m at Christie's in 1987. A copy of this painting, produced by a high-fidelity, laser technique, will be on show, along with work by prize-winning graduates from arts schools, which will be for sale.

★

A final example of an imaginative sponsorship of the "arts" comes from Liverpool, where local solicitors Cuff Roberts North Kirk are contributing to a reconstruction of one of the most famous murder trials of the last century, the Maybrick poisoning case. It will take place in its original setting, St George's Hall, which re-opened this week after restoration. Judge Dick Hamilton has devised the show and provided his voice for a *son-et-lumière* representation of the trial, which will be performed, six times a day, throughout the summer.

Antony Thorncroft

SALEROOM

Drawn to Old Masters

This morning, Sotheby's is offering for sale the Old Master drawings collected by Timothy Clifford, ebullient Director of the National Galleries of Scotland. The bulk of the drawings were acquired while Clifford was at university during the 1960s; he was arguably the last person to be able to build a good collection of Roman and Florentine Mannerist drawings on modest means. Scholarship and prices have advanced hand in hand.

Of note are an idealised head of a woman in black chalk by Bronzino, bearing an estimate of £30,000-£40,000, and a study for Salviati's fresco in S. Maria dell'Antima in Rome, executed on blue paper in brown ink with wash and white heightening. Giovanni Antinor's drawing for the ceiling of the Salla delle Guardie in the Palazzo Farnese, important architecturally, carries the same estimate. The Clifford Collection drawings, complete with collector's mark, are expected to raise £300,000-£400,000.

The following general sale presents another, more beautiful Bronzino, sadly in less good condition. The rare black chalk portrait of a young man, gazing directly at us, came in with a tentative attribution to Holman Hunt, and is expected to fetch £40,000-£60,000. The early 16th century Venetian drawing of a fallen warrior, attributed to Paris Bordone, is a wonderful bravura work (£25,000-£35,000). Here, too, is a small but lovely red chalk study of a seated woman by Watteau (estimate £50,000-£70,000).

Christie's sale tomorrow offers two powerfully modelled drawings by Piranesi, the finer a design for a monument in the Classical taste. Both drawings, executed in black chalk, brown ink and wash, were later engraved and are expected to realise £50,000.

A fine group of religious Old Master paintings go under the hammer at Sotheby's on Wednesday. The undoubted highlight is the only major G.B. Tiepolo altarpiece remaining in private hands, an elegant Madonna of the Rosary with Angels (£750,000-£1,250,000).

Susan Moore

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Monday July 3 1989

Next steps in South Africa

Those who may have hoped that South Africa's ruling National Party would set out a realistic blueprint for the country's future must feel let down by its manifesto for next September's elections. At its heart lies the maintenance of group or tribal rights, that well known euphemism for white rule. Yet anyone who expected Mr F W de Klerk, the new party leader and president-to-be, to cross the Rubicon at this delicate stage in southern Africa's history was hoping for too much. The West can recognise that he has to overcome two hurdles before he can get to grips with the huge task ahead of him. But it should also make clear to Mr de Klerk that the proposals put forward last week fall far short of what is required.

Mr de Klerk's immediate objective is to win the election in September. The challenge comes not only from the Democratic Party, the coalition of whites who stand for the dismantling of apartheid, but also from the extreme right Conservative Party, which may have the support of as much as a third of the white electorate.

Namibia transition

His second concern is the transition under way in Namibia. UN supervised elections in November will lead to the creation of a constituent assembly, the drawing up of a constitution, and a formal independence ceremony in April next year. The successful establishment of a new government which adopts a multi-party system, a bill of rights, and a mixed economy may not influence the attitudes of many white South Africans; but a government which fails to espouse these values will certainly have an adverse effect on whites who are contemplating reform.

These are reasons for not expecting Mr de Klerk to fulfil at this early stage his promise of "a totally changed South Africa . . . free of domination or oppression." This requires an approach which is fundamentally different to his party's election manifesto. Nothing Mr de Klerk and his colleagues have said so far encourages hopes that they will turn rhetoric about democracy into reality.

When the election is out of the way, and when Namibia is safely resolved, will Mr de Klerk start putting his promise into effect? As the West would understand his words, Pretoria must first begin consultations with representative black leaders. Until then, the country will remain in a constitutional cul de sac. Those black leaders must include, as the Democratic Party forthrightly declares, Nelson Mandela and other released political prisoners.

Lifting bans

The process must include the lifting of the state of emergency and the bans on the African National Congress and other parties. In return, the ANC should announce a suspension of violence. These are the terms which the Commonwealth Eminent Persons Group tried to get Pretoria to accept in 1986. A revival of this negotiating concept may now have a better chance, partly because Moscow, using language which might encourage whites to come out of the laager, has joined Washington in urging the need for talks.

In the meantime, the forces at work which undermine apartheid gather in strength. The widening gap between the numbers of blacks and whites, the growth of black consumer power, and the power of black trade unions are amongst the internal factors. From without come economic pressures, whether the result of international sanctions or commercially-based decisions by banks and foreign companies to cut ties with South Africa.

Mr de Klerk has recently had the opportunity to explain his strategy to Western governments, seeing Mrs Margaret Thatcher, Chancellor Kohl and other European leaders. He will probably meet President Bush later this month. Mr de Klerk must take advantage of international understanding of the difficult path he must take. But he will be measured by his deeds and not his words. If he fails to take the right steps in the coming months, the benefit of the doubt he still enjoys will rapidly change to disillusion and hostility.

A strategy for mobile phones

The Thatcher Government can rightly claim a share of the credit for the spectacular growth of mobile communications in the UK. Its decision in the early 1980s to license two operators to provide cellular communications helps explain why the UK, with only 17 per cent of the European Community's population, accounts for 56 per cent of its cellular subscribers. Rivalry between Vodafone and Cellnet, the British Telecom subsidiary, led to vigorous marketing and a fast roll-out of the networks.

The Government is equally right to realise that two competitors are not enough. The cellular industry is already beginning to look like a cosy duopoly. The cost of making calls, at 33p a minute, is far too high and shows no signs of falling. Vodafone and Cellnet have no incentive to engage in a price war, which would undermine their expectations of earning returns on capital of 100 per cent and more in the mid-1990s.

The recent decision to license two or three new operators of personal communications networks - using higher radio frequencies than cellular and especially suitable for use in urban areas - is therefore to be welcomed. One of these will be awarded to Mercury Communications, BT's only hard-wire rival, while the other(s) will be handed out following a "beauty contest" to be held in September.

Most competitive

This expansion of the market will give the UK the world's most competitive mobile communications market. The expectation is that prices will fall to a level where millions of ordinary people can afford to make phone calls when they are on the move.

Personal communications networks might also come to challenge BT's de facto monopoly in the residential market, giving it a powerful incentive to improve quality of service. Mercury has failed to provide effective competition in this market, partly because of the high costs of digging up the roads. Linking customers to main network via radio is an attractive alternative.

Nevertheless, the Government is proceeding with indecent haste, given that the technology for the new systems has yet to be developed. This would not matter if the UK were a technological island. However, if personal communications are to fulfil their potential, the costs of the handsets will have to be driven down through mass production.

This makes it essential that Britain moves ahead with a system which can eventually be adopted throughout Europe. By rushing ahead, there is a danger that the rest of Europe will go in a different direction leaving Britain in a technological blind alley. This is a real possibility since some of its European partners fear the UK is trying to foist its own technical standards on the rest of the Community.

Remaining licences

The Government's haste could also prevent a sensible decision on how the remaining licences should be allocated. Two of the prime candidates - the General Electric Company and Plessey - are locked in a takeover struggle. It would be wise to wait until the structure of the UK's electronics industry has been sorted out before picking licencees.

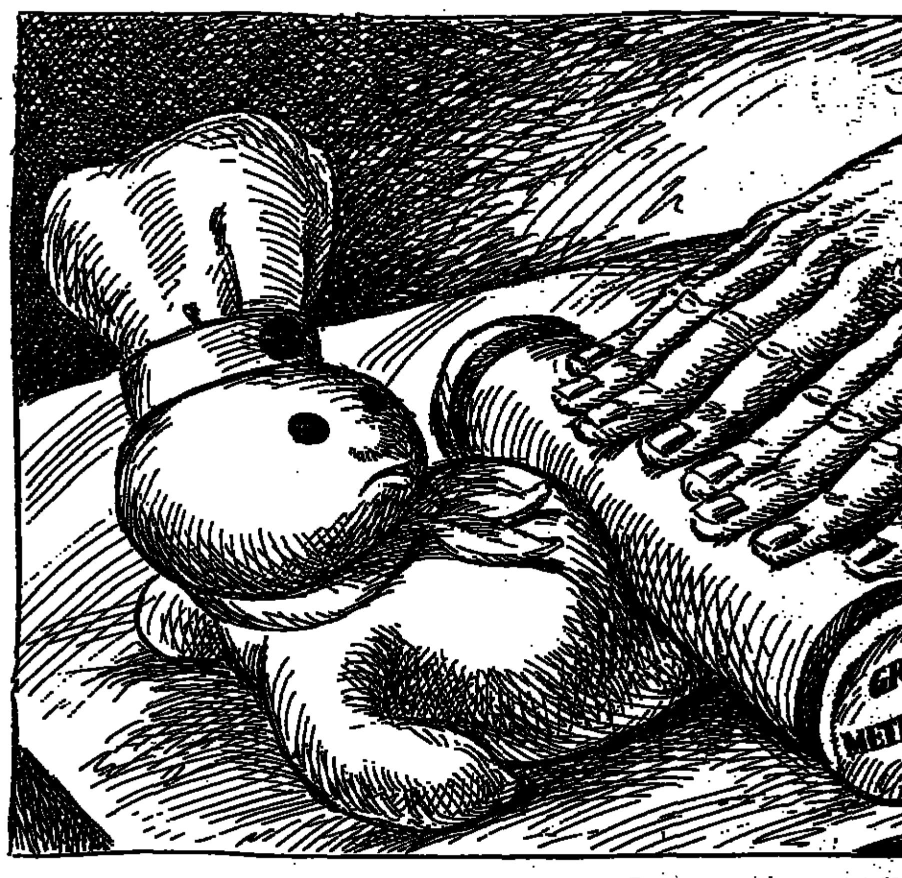
Britain should learn from the experience of telepoint, a more limited pocket-phone service it decided to rush into the market earlier this year before the technical standards had been properly developed. On that occasion, there were also fears in Europe that the UK was trying to bounce it into a decision.

It is still uncertain whether the rest of Europe will join in with telepoint. At the same time, there are doubts whether it will take off because the four UK operators will start with incompatible technologies and its position could be undermined by the new personal communications networks.

A delay of several months would help win round Europe to the concept of personal communications. A further way of making friends would be to include some of the Continent's leading manufacturers and operators in the new licences. This would ensure they had a vested interest in seeing the British system adopted on the other side of the Channel.

Squeezing the Doughboy

Roderick Oram on Grand Met's strategy for reviving Pillsbury



Step out of a lift in the Pillsbury Tower in Minneapolis and you step into an eerie world. The place seems abandoned, until suddenly, in the distance, a head pops up above an office partition.

Since it paid $5.8bn for control of the US foods group in January, Grand Met has deployed the neutron bomb of takeovers – not much damage; many people gone. "It feels like a cemetery," says a survivor.

Burying the pudgy old Pillsbury – symbolised by its Doughboy advertising symbol, familiar to generations of American children – is easy for Grand Met, the British drinks and foods group known for lean management. But some people in the company and the tight-knit local business community worry it has cut past the fat into the brawn and brains. Will too many departures damage Grand Met's chances of success?

Growing a prosperous new Pillsbury will be hard enough as it is. Most UK investors in US consumer companies, furthermore, have bought nothing but trouble. Gateway's rough ride with the Herman's sporting goods chain is a good current example. Everyone is haunted by the tale of Howard Johnson, the disastrous restaurant and motel acquisition that eventually cost Imperial Group its independence three years ago.

For Grand Met, Pillsbury is the key to a strategic shift from its original business of hotels to foods. To that end it deftly sold Inter-Continental Hotels for a net $2bn only months before buying Pillsbury. The purchase made it the world's fourth largest foods group with big ambitions to build a role complementary to its number one spot in distilled drinks.

It says it can revive Pillsbury's food business by trimming its excessive costs, rebuilding its famous but under-exploited brands and developing new food products and markets, particularly abroad.

Turning round Pillsbury's Burger King subsidiary, a distant and dispirited second to McDonald's among fast food restaurants, will be a far harder task. Grand Met says it has the management philosophy and experience to bring consistent quality to well-liked Burger King products and to make the chain responsive to consumers once again. Some analysts believe it can. Many more remain doubters.

Even as the ink dried on the takeover papers, a small team of Grand Met executives arrived at Pillsbury's headquarters in Minneapolis and Burger King's in Miami. Their arrival signalled the change in management style on which the takeover's success hangs.

Pillsbury had had a turbulent 15 years under three very different chief executives. After the old management failed to mount a vigorous takeover defence, many Pillsbury's staff felt life could only improve under Grand Met – at least for those who would keep their jobs. First impressions of the Grand Met team, led by Mr Ian Martin, 53 and head of its US operations, were favourable both in the company and the town. "He charmed the pants off them," said one observer.

Before joining Grand Met in 1979, Mr Martin, son of a Dundee baker, had worked almost entirely for US companies in the UK and Europe including Timex and ITT. At Grand Met he improved the performance of its brewing and retailing operations before moving to the US in 1987 to "de-clutter," as he describes it, the group's operations here. He turned round the Pearle opticians' chain and negotiated a favourable sale price for Inter-Continental.

The new man at Burger King is Mr Barry Gibbons. A burly 43-year-old from northern England, he looks and acts like the professional football captain he might have been if he had not chosen instead to get an MBA. Only five years at Grand Met, he earned the trip to Miami by bringing the group's $1bn a year restaurant business back into the black.

His talent for wiring people over to simple but not necessarily palatable solutions was evident on a recent tour of the US to meet Burger King franchisees. "It was like a revival meeting," one franchisee said of a big gathering in Chicago. "People left feeling part of the team."

Mr Martin and Mr Gibbons say they have managed to do more in less time than they expected. They believe they have taken most of the basic steps necessary to rebuild Pillsbury and Burger King. The first was to devise new, thinner management structures at both companies. So far, they have fired some 1,200 people, about one-third of the group's managers and double the number Grand Met expected. That will save $60m a year.

"We have to achieve a major cultural change to get this company back on track," says Mr Martin. "We've introduced more pace, momentum and a hard edge to management."

By September, 1,500 people will have left, 7 per cent of the total at Pillsbury and Burger King. "They're beginning to cut into the meat," says a recently departed executive. "They're heading for a severe depletion of marketing skills."

Such expertise can be bought. But the knowledge of many well-regarded managers who have left will be far harder to replace. Of the top 34 executives in Pillsbury's corporate and foods staff, only eight of the most junior remain. Mr Gibbons has in contrast more successfully drawn some old Burger King hands into his new team.

Has Mr Martin cut too deep? "You can only answer that after the event," perhaps a few years down the road, he replies. "To the extent I criticise myself, it is that we should have done more. You have to have the sheer balls to take the risk of having fewer and better people."

A much thinner management structure could make it harder for Grand Met to implement its plans, some staff say. They worry that the new senior executives up on the 40th floor will pull the power levers but find them barely connected further down the Pillsbury Tower.

But scything management overheads solves only half Pillsbury's cost problems. Its production costs run as

Only eight of the top 34 executives in Pillsbury's corporate and foods staff remain

a share of revenues some 1 to 1½ percentage points above those of comparable US food groups, mainly because of the way the company grew. Many of its plants are scattered north-south along the Mississippi River in the middle of the country, making for long distribution routes east and west to its biggest markets. When food reaches the customer it is more expensive and less fresh.

The old management had backed away from radical ideas such as scrapping the lot and spending $1bn to build a handful of huge, well-placed greenfield plants. Instead they drew up plans to rationalise the existing plants by, for example, adding some manufacturing at distribution sites and closing the least economic plants.

"In some cases they had worked it all out but they didn't want to take the closure costs," Mr Martin says. He has so far closed five of the company's around 35 plants nationwide for annual savings of around $14m. His goal through further rationalisation is to save $80m a year "and I'm convinced we'll handsomely exceed that."

The old management's plans are only a starting point. "We're being much more broad gauge. We're up to our arm 'pits' studying issues of production, distribution and quality. "The real competitive edge is quality. If we get that right, the other things will follow."

To spruce up Pillsbury's food lines, Mr Martin has already put up for sale some brands such as Bumble Bee tuna fish and Van de Camp seafood which are also-rans in their markets. Others such as frozen pizza, instant potatoes and microwave popcorn need a lot of work to reverse their declining market shares.

Overall, Pillsbury has a powerful brand portfolio. More than 80 per cent of foods sales come from lines ranking first or second in their markets, such as Häagen-Dazs, Pillsbury's successful up-market ice cream maker, and Green Giant frozen and canned vegetables. The company will soon announce the results of a review of the portfolio which is likely to lead to a further shuffling of businesses.

Broadening its product range was a problem for the old Pillsbury. The research and development department was good at extending existing lines with related products but "it was a magnificent failure when it tried to develop new businesses," says a former researcher, citing strudel reheated in a toaster and other examples.

"Pillsbury had in recent years a very spotty to poor record in new product development," Mr Martin says, "but we're doing some structural things about that." R&D is now being tied much more closely into production, marketing and customers' demands to "avoid disconnection with the marketplace." After a slow and uncertain start "we're making a major effort now to get new product development back into full song."

In another move to make business more responsive to consumers, Mr Martin has turned Häagen-Dazs and Burger King into stand-alone companies. More units could follow.

Will it all work? Mr Martin's whirlwind actions, logical and long overdue, will whip up quick and impressive increases in Pillsbury's food results. Shedding more than $100m of annual overheads and ditching some weak brands cannot but help improve on the $214.8m of operating profits foods generated on sales of $3.56bn in fiscal 1988. Pillsbury's operating profit margin on its food division alone was last year well below that of its main competitors. Disregarding restructuring costs, it was 7.8 per cent, against 12.8 per cent for Campbell Soup, 16 per cent for Heinz, or 21.5 per cent for Kellogg.

The restaurant sector, which dragged down the overall group by earning only $73m operating profits on sales of $2.63bn in fiscal 1988, should also rebound rapidly. In order to comply with state liquor laws, Grand Met has already sold the troubled Steak & Ale/Bennigans chain for $430m, allowing it to concentrate on Burger King.

Mr Martin talks of a substantial profit improvement at Burger King this year, thanks partly to shrinking the management. It should be "firing on all cylinders" by the end of next. The changes at Burger King are already starting to pay off. Results for both businesses combined, in the first half ended May, were "well ahead" of last year's, Mr Martin told London analysts last month.

Doubts within the company and community revolve instead around Pillsbury's longer term prospects. Can the small Grand Met team teach the company new tricks learnt in the drinks business? Can it build on the lean, hard base it has created in five short months?

The biggest fears revolve around the staffing issue which, as Mr Martin says, can only be judged in a few years time. But even then it will take some digging to discover Pillsbury's underlying performance.

"The Grand Met guys are great financial engineers and asset traders. The results could look good for years to come," says one US analyst. For example, any unused portion of its recent $750m provision for health costs and write-offs would flow back later into earnings. Pillsbury has already disposed of assets worth around $600m and more could follow.

Management has started "to scrutinise every piece of the company to determine whether any parts of it should be sold," Mr Martin told the London meeting.

Nobody is doubting Grand Met's commitment to Pillsbury or food. But one thought nags at the back of some people's minds, particularly in Minneapolis – the company is quick to sell businesses, even core ones like hotels, that fall short of its demanding targets.

Any retreat from its ambitious food strategy could be costly for Grand Met. It paid a high price for Pillsbury when markets believed it was more effective to buy than build good food brands. The fad could fade, making disposals less lucrative. And its credibility would suffer serious damage if it failed to lay to rest the ghost of Howard Johnson.

OBSERVER

Kaufman's safe menu

■ Go into the Gay Hussar restaurant in Soho and there is one man who will nearly always be there: Gerald Kaufman, the shadow Foreign Secretary. Unless, of course, he is abroad, which nowadays increasingly he is.

Neil Kinnock's appointment of Kaufman to shadow the Foreign Office in succession to Denis Healey in 1987 seemed at the time to be more than a trifle eccentric. Kaufman, after all, had made his political reputation almost entirely on domestic affairs, and in the arts.

A former journalist with the Daily Mirror, he was close to the Labour Party organisation of Harold Wilson. He entered Parliament for Manchester Ardwick in 1970 and became a junior minister at Environment when Labour returned to office in 1974. He claims then to have been the first British minister to voice concern about the ozone layer. He was number two to Eric Varley at the Industry Department when the latter was trying to establish an industrial policy not wholly dependent on subsidy.

What everybody respected about him – and some feared – were his hard work and eye for detail. It was said that, being a bachelor, he had plenty of time for it. And it was the same when he shadowed Environment and then the Home Office in Mrs Thatcher's first two terms. It was better not to get into an argument with him because you could never be sure what facts he would come up with.

Foreign affairs might have been different. Surely even Kaufman would get lost in the intricacies of the Middle East or the details of arms control? Not so. In his assiduous way, Kaufman has set about not only learning the subject, but also bringing the Labour Party together.

The two issues which have done as much as any other to divide the Party over the last 30 years or so are Europe and defence. On Europe Kaufman is a convert. He voted against British membership in the referendum in 1975. But he now thinks that British policy needs a wider framework, and Europe provides it. Besides Kinnock is a convert as well. Kaufman cites research commissioned by the Labour Party which suggests that the electorate is now so European it is in favour of a European passport. Not even Kaufman wants that.

On defence Kaufman was never a unilateralist. Kinnock gave him a free hand to develop a new multilateral policy and accepted it without demur. It will be opposed by Ron Todd and the Transport and General Workers at the party conference, but the word is that there is no harm to Labour in Todd being defeated by a new-look Party.

Kaufman is going to South Africa this month as a guest of the Council of Churches. Here he retains the Labour Party line that there should be mandatory sanctions until the South African Government fundamentally changes its ways. But there is another area in which the Labour leadership is not behaving as in the past: neither Kaufman nor Roy Hattersley, the shadow Home Secretary, are talking about Britain's moral obligations to the Hong Kong Chinese.

Kaufman says that he and Hattersley reached this position independently, perhaps because they both represent urban constituencies north of London. They know what ordinary people would think about a new influx of immigrants. This is the new Labour realism, and most disconcerting it must be to the present Prime Minister. When Mrs

"I wouldn't dare – the risk of picking up satellite TV is too high."

Thatcher talked in opposition about people feeling they were being "swamped" by immigrants, Labour pounced on her. Not any more.

Would he be Foreign Secretary if Labour were to win the election? Kaufman has no reason to think otherwise. He has been doing quietly what Denis Healey was never able to achieve in his later years: helping turn Labour into a European party with a respectable defence policy.

Ever cleaner

■ Singapore's standing as one of the world's cleanest cities may have been further enhanced at the week-end when plainclothes officials began enforcing the law against individuals who fail to flush public toilets after use. Apart from fines, offenders run a high risk of seeing their photograph on the front page of the local press. Tourists should be aware that hotel toilets are classified as public and should not over-react to the fact that evidence will be gathered through personal observation until a high-tech solution to the problem is available. Electronic devices are being developed.

Electronics may also be needed for another new law. Because of the depreciation of the Malaysian ringgit against the Singapore dollar, motorists have taken to crossing the border to fill up with cheaper petrol. Thus the government has decreed the half-tank rule: no-one can leave with less. Talk of a half-stomach rule, to prevent Singaporeans, crossing to Malaysia's restaurants, is denied.

Burning issue

■ Rubbing shoulders with delegates at the Transport and General Workers' Union conference in Brighton last week were members of a different kind of fraternity altogether. Also meeting in the southern resort were delegates to the 62nd Annual Cremation Conference, who gathered at the Grand Hotel: the T&G stayed at the slightly less grand Old Ship down the road. A jolly lot they were too. Burning issues on the agenda included furnace design and a policy for the 1990s. Then it was champagne all round. Delegates and their wives left in style, piling into long black cars, six doors apiece.

Irish accent

■ A J Ayer, the British philosopher who died last week, made his reputation on the verification principle. There is an Irish version. A reader in County Down has produced a notice from the Belfast Education and Library Board. "Your award cannot be assessed," it says, "unless you have enclosed a) varification of all sources of income where appropriate and b) varification of outgoings where appropriate."

Stefan Wagstyl reports on Japanese activity in the foreign exchange markets

Yen power makes its mark

Japan's financial institutions have been throwing their weight around the foreign exchange markets with unaccustomed force.

After fighting shy of overseas investments following the October 1987 stock market crash, Japanese fund managers have recovered their nerve since March this year. And individual investors have been hot on their heels. "We are in a new world in foreign exchange markets from March 31," says Mr Richard Koo, senior economist at NRI & NCC, Nomura Securities' think tank.

Investment flows – including flows of fast-moving speculative money – are not new in foreign exchange markets. Japanese fund managers, with vast funds at their disposal, have long been among the most important cross-border investors.

However, the demand for dollars for new investment has been compounded by the use, for the first time, by Japanese financial institutions of aggressive hedging techniques in managing their existing foreign portfolios. In addition to buying new dollar assets, fund managers have been switching around the proportion of their existing huge portfolios they protect against currency movements. This adds to the overall pressure on the foreign exchange markets.

Such shifts have exacerbated the recent swings in volume and volatility in the currency markets, which saw the dollar soar from about Y130 to over Y150 and back down to near Y140 in less than two months. At the peak of activity, in mid-June, individual orders for $1bn and more were flying around the market and currency dealers in Tokyo were sometimes scared to answer the telephone.

"It was *zaitech* (aggressive financial investment) on a scale that's frightening," says Mr Steve Mazloumian, treasurer for Barclays Bank in Tokyo. A senior official of the Bank of Japan says: "It is really worrying. We have tried to send a signal to the market that we don't like this kind of behaviour."

Since the mid-1980s, Japanese investors have accumulated an estimated total of $300bn in foreign financial assets. Until late 1987, Japanese institutions behaved like institutions elsewhere, holding their overseas assets, mainly denominated in dollars, without protecting themselves greatly against exchange rate risks. But the relentless decline in the dollar brought them big paper losses. The life insurance companies alone had book losses of Y5,000bn (£22bn) by March 1988.

Japanese tactics changed radically in late 1987. Convinced that the dollar would continue to fall, fund managers decided to protect themselves against exchange-rate risk by hedging their portfolios comprehensively. They sold dollars forward, partly by straightforward sales in the forward market, and partly by using complex packages including options.

"We began to invest in a completely different way from investors in other countries," says Mr Makoto Toda, a general manager at Nippon Life, the largest insurance company. Life insurance companies protected 50 per cent and more of their Y20,000bn foreign portfolios.

The impact of this shift in tactics was not immediately felt in the cash foreign exchange market, since the dollar was mostly stable last year. So fund managers had no need to cash their protective "insurance policies".

The first inkling of a change in sentiment came late last year. Fund managers began to wonder if the US currency's long decline might have been arrested or even put into reverse (if only temporarily).

From the start of the new financial year in April, Japanese money surged into US securities, taking net purchases of foreign securities to $14bn in April and about $8bn in May, compared with a monthly average of $7bn in the year to March.

Coming after dollar-buying by European fund managers, the Japanese purchases sent the US currency soaring. Fears of political instability in Japan caused by the Recruit scandal and in China added to the general air of nervousness.

Central banks were powerless to halt its advance, despite regular bouts of selling dollars. As the US currency rose, so Japanese investors rushed to scrap their hedge contracts which were designed to limit losses on a fall in the dollar but which were now having the effect of limiting profits on its upswing. A stream of telephone calls to foreign exchange dealers became a torrent in the two weeks to June 17.

Turnover in the Tokyo dollar-yen inter-bank foreign exchange market – normally about $20bn daily – hit a high of $32.7bn on June 13. The life companies estimate they cut the proportion of their foreign portfolios which was protected against exchange rate risk from 50 per cent to 30 per cent. A fund manager at one life company says this alone would have created the equivalent of about $30bn in demand for dollars, some of it concentrated in the space of a few days.

This speed with which the institutions had to act was compounded by the widespread use in Tokyo of a controversial instrument called the zero-cost option. Options are contracts usually sold by a bank which give a client the right to buy (or sell) currency at a fixed price at a future date. However, to tempt Japanese fund managers into using options, banks devised a cost-free package. Instead of paying a fee, Japanese institutions paid for their options by selling the bank another option in return.

The effect of these zero-cost options was that a fund manager could insure himself against losses if the dollar fell; but in return he had to forgo profits if the dollar rose. Naturally as the dollar started rising institutions rushed to buy dollars to cover their options positions.

By the middle of June, with the dollar above Y150, the Japanese Finance Ministry had had enough. For the first time since 1985 it called the large life insurance companies to ask what they were doing. The industry interpreted this call as a warning, and the companies cut down their dollar buying. Soon afterwards, central banks sold dollars to push the US currency down to the Y140 mark.

Foreign exchange dealers are now breathing a little more easily. Some have made bumper profits by reading the wild swings in the market correctly. Nevertheless, many are haunted by the fear that next time they might get caught out by the size of the fluctuations.

Turnover in the Tokyo foreign exchange market has grown greatly in recent years, probably surpassing New York's and getting close to London's. But, as in other foreign exchange markets, much of the turnover is composed of flows between banks. Orders from customers may only be a tenth of the total. So a $1bn order can have a big impact.

Meanwhile, the foreign exchange options market is newer and smaller, with an estimated turnover of $10bn in a quiet month and $30bn-plus in an active one. About 20 or 30 banks participate, compared with over 100 active in the cash market.

The foreign exchange options market is barely 18 months old in Japan. Foreign bankers say dealers at some Japanese banks and securities companies are expert. But others are inexperienced and lack the sophisticated computer systems needed to support their activities, especially in the calculation of risk.

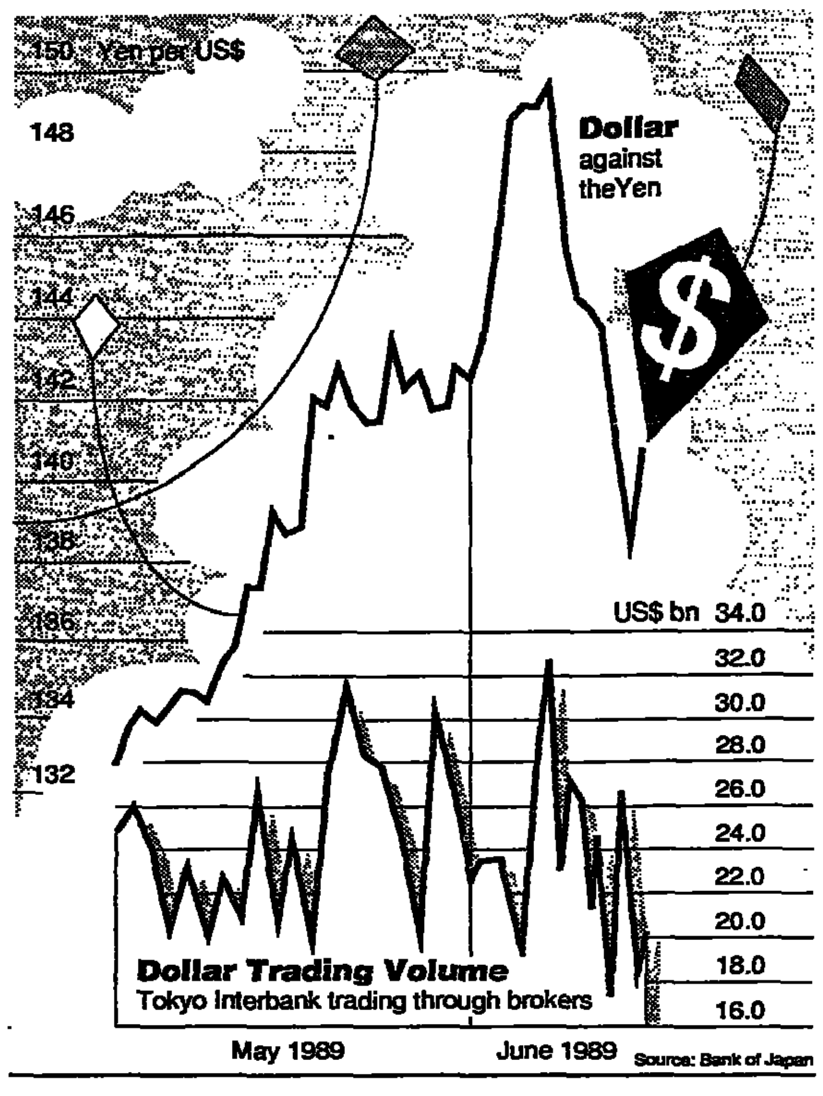
Bankers say the same difficulties were experienced when the options markets stated mushrooming in London and New York in the early 1980s. In Tokyo the scale of individual contracts dwarfs those written in the West, where options for $50m are considered large. So the risks in Tokyo are proportionately greater.

For governments and central banks all this raises a number of problems. Options positions are more difficult to monitor than the cash market. In London and in New York, banks are required to report their options positions to the authorities on a daily basis. Their exposure has to be kept within limits determined by the size of the capital base. In Japan, banks are required to tell the Ministry of Finance what they are doing, but not in detail and not on a daily basis. Foreign bankers say this does not amount to monitoring of risk levels.

At the Bank of Japan, officials say they are studying ways of increasing monitoring. Foreign bankers say the central bank is well aware of the dangers of the options market, but cannot move quickly because comprehensive risk control would force banks to install complex computer systems. However, the finance ministry remains confident of its ability to influence institutions through so-called "administrative guidance."

The market remains nervous that the gyrations of recent weeks will repeat themselves with equal force in the future. Central banks, ever-anxious to keep currencies stable, will have their work cut out. Even more than before, investment flows will obscure the underlying demand for currencies for trade purposes and so tend to undermine government efforts to cure trade imbalances by trying to influence exchange rates.

In Tokyo, some analysts have suggested that the authorities might have to impose restrictions – even foreign exchange controls of some kind. A senior Finance Ministry official says this is nonsense. But he adds: "The authorities want stability. Foreign exchange dealers want fluctuations. The authorities around the world have perhaps gone too far in liberalising capital markets. I sense this may change."



LOMBARD

Time for a new world model

By Samuel Brittan

FOR MOST of 1989 the D-Mark and the yen have been under downward pressures, and weaker than their governments and central banks would like. The US dollar, on the other hand, has been tending to overshoot upwards. In addition, inflation rates have been increasing throughout the world, even in the hardest currency countries.

What would an enlightened world economic authority suggest in these circumstances? It would surely be a tightening of monetary policy in Germany and Japan, relative to that in the US, but an absolute tightening all round.

After a lot of fumbling and confusion, this is indeed what is happening. The US Treasury and Federal Reserve have spearheaded an act of co-ordinated currency intervention to restrain the dollar, which has scored a limited but notable success despite the publicly expressed scepticism of the Bundesbank president, Mr Karl Otto Pöhl.

But in contrast to other occasions, national monetary authorities have not relied on intervention alone. German interest rates were again raised last week; and policy tightening in Japan has only been postponed by the political crisis. By contrast, the shift in the US has been towards relaxation. But taking the seven western summit countries together, or the industrial world as a whole, the average direction of movement has been towards tightness. Just what the doctor ordered.

Thus slowly and surely – and with many denials that it is happening – the main industrial nations have been fumbling towards the pragmatic policy co-ordination required to give substance to the Plaza and Louvre exchange rate accords of 1985 and 1987.

There are some interesting features in this emerging pattern. The emphasis is on monetary rather than fiscal policy – however unfair central bankers may regard the resulting responsibility. Moreover, the element of international co-ordination centres on the exchange rate rather than the balance of payments.

If the removal of the famous world current account imbalances had top priority no one would urge a policy tightening in the main surplus countries, Germany and Japan, or a relative loosening in the US. Moreover, the disappearance of calls for Germany and Japan to engage in fiscal expansion also suggests that the balance of payments is not, in practice, the top priority.

Yet doctrine has yet to catch up with events. The main organs of the world economic establishment are still very much hung up on the balance of payments approach and on fiscal policy. By contrast with the International Monetary Fund, the New York Fed and many others, the Organisation for Economic Co-operation and Development is much more qualified in its attachment to orthodoxy in its June Economic Outlook.

But in the end the emphasis is still on the twin US deficits (even though both are falling as a proportion of GDP on the OECD's own figures). And in more coded language, the Outlook authors favour carefully timed depreciation by the US and other deficit countries.

Alternatives to the mainstream orthodoxy are inevitably more tentative and come from outside the official sector. Many valuable clues are provided – for instance, by a Credit Suisse paper, The Remaking of Europe. The paper sees trade imbalances largely as a product of "accelerating private sector adjustment to new investment opportunities rather than the product of persistent policy failures by government."

It is mainly devoted to explaining European developments which so puzzle the orthodox, such as the absence of any prospective EMS realignment despite increasing German payments surpluses with its partners, or the tendency of the Spanish peseta to appreciate relative to the D-Mark. But the general principles can be cautiously applied over a wider area.

The balance of payments model was very useful for many postwar decades as an aid to bodies such as the IMF, in making sure that they were not throwing good money after bad. But it has now outlived its usefulness.

LETTERS

Broadcasting by auction

From Mr Peter Jay.

Sir, The apparently conflicting opinions about auctioning independent television (ITV) franchises can be reconciled simply and at a stroke. Just auction the existing (or, if preferred, modified) franchise contracts.

All the "quality" safeguards currently existing are embodied in those contracts. If they were auctioned, exactly the same "quality controls" would exist as do now.

Meanwhile, the auction would determine the identity of the franchise-holder without any need for pre-selection of bidders, thus also ensuring that the full "rent" value of the franchise as judged by the market accrues to the public purse where it belongs.

Peter Jay,
The Garrick Club,
Garrick Street, WC2

From Mr Bruce Fireman.

Sir, Mr Simon Albury, who writes from the Campaign for Quality Television (Letters, June 29), says that the new broadcasting franchises will be won by those who spend the least on programmes. Clearly Mr Albury thinks that he who spends the least will make the most profits.

This is an interesting proposition, and will no doubt be of great comfort to those satellite broadcasters who spend next to nothing on programmes and have tiny audiences as a result.

Bruce Fireman,
Fireman Rose,
10 St Mary at Hill, EC3

The higher they come . . .

From Mr Lionel Hunt.

Sir, Andrew Snell (June 28) omits one factor influencing a country's export performance: the liberalisation of trade between different trading areas.

This has been relevant for the UK since entry into the common market. Higher exports to EC countries have boosted our share of world trade, but have been offset by substantially increased imports from other EC countries.

Lionel Hunt,
Bishops Hide,
Beausale, Warwickshire.

A vote of thanks

From Mr Peter Breen.

Sir, As London commuting life returns to its unsatisfactory normality (before the next concentration of inconvenience) may I just express my thanks to Sir Robert Reid and Jimmy Knapp for not having reached agreement on their differences so far?

By so doing, they have been able to:

● Focus the Government's mind on the need to do something about the vulnerability of the travelling public to a badly run monopoly;

● Highlight, through the media, the critical nature of the travel infrastructure in the south east, which is in acute need of reappraisal and reinvestment;

● Enable me, in my mid-40's, to return to motorcycling (a 1,000cc superbike which I bring into central London – and love it);

● Bring me to cash in my annual British Rail season ticket, as the final vote of no confidence in the train as a reliable and convenient way of travel, allowing me instead to share my journey with like-minded friends on two or four wheels; an altogether more sociable way to commute.

The train – over or under ground – has degenerated into a generally unpleasant, unreliable, unstable and unpopular means of travel. Messrs Reid and Knapp should continue to dissuade people from using it.

Peter Breen,
Christmas Place,
Edenbridge, Kent

'Accidents do not happen'

From Mr James Tye.

Sir, Michael Skapinker does well to point out (June 24) the difference in management attitudes between UK and Japanese bosses when it comes to accepting responsibility for preventable (and they are all preventable) serious accidents and disasters.

Having run two week-long "risk managers" seminars in Japan, I am impressed how the Japanese top level commitment to safety goes down the line. In the UK, all too often, abdication of top management responsibility leads to neutered safety officers – and chance-taking on the shop floor.

Accidents do not happen, they are caused – and they are helped along by inefficient, inadequate and untrained management.

James Tye,
British Safety Council,
Chancellor's Road, W6

Well-established nonsense

From Mr R.J. Munson.

Sir, The poor old Accounting Standards Committee (of which I am a member) can never get it right.

Lex, on the subject of goodwill (June 23), wrote: "The present treatment of goodwill in the UK makes a nonsense of the balance sheet; but the new method being pushed by the Accounting Standards Committee (ASC) threatens to do the same to the P&L".

The ASC is "pushing" for nothing at present. At its meeting in May it listened with sympathy to my working party's proposals for the treatment of purchased goodwill as an asset. The proposals of the working party comprised a series of principles for debate, and the ASC was sympathetic enough to authorise us to proceed to prepare a possible exposure draft of an accounting standard. The ASC gave no undertaking that it would agree to that exposure draft once prepared.

Even if the ASC does proceed along these lines, two points must be understood in the context of Lex's comments.

If purchased goodwill is capitalised (thus removing Lex's "nonsense of the balance sheet") it will be the law, not the ASC, that requires the balance to be amortised through the profit and loss account. However, many would argue that it is not a nonsense at all.

Moreover, if it is a "nonsense" to charge the amortisation of goodwill against profits, this is a nonsense established in the US, Canada, Australia, Japan and most of continental Europe – without, so far as I am aware, any adverse comments by financial journalists in those countries or consequential distortions in their capital markets.

R.J. Munson,
Plumtree Court, EC4

The need for Babel

From Miss Fiona Gaskin.

Sir, The recommendation, by the working party for the teaching of English, that formal English grammar should not be taught in schools (June 23) prompts the question whether Professor Brian Cox or the members of his working party speak any foreign language with any degree of competence.

It must be assumed that they do not. How else could they have overlooked the enormous contribution made by the understanding of the grammar of one's native tongue to the efficient mastery of another?

One despairs of knowing how the UK is to produce the large numbers of foreign linguists it will require after 1992 – not just at graduate but at school-leaving level – if its school children are still to be denied an education in the basic tool.

Fiona Gaskin,
34 Danbury Street, N1

Educated in business

From Professor Charles Baden-Fuller.

Sir, Christopher Lorenz's article on the rise and fall of business fads (June 21) highlights the consequences of a current dangerous trend in UK management education.

There is a growing desire on the part of many businesses to organise short courses for their executives, and over the years a "short course" has been redefined from a few weeks to one lasting only a few days.

The teachers are told: "We're too busy to listen to the reasons," and are pressured to discuss only solutions.

The better business schools are refusing to give in to this trend, focusing their energies on the longer courses – for undergraduates and master's degrees – and integrating these, by placements and sponsorship, into companies' needs.

Because they involve teaching over a much longer period of time, these courses permit us to show to company executives the origins of business ideas, and make them appreciate their limitations as well as their benefits.

Charles Baden-Fuller,
School of Management,
University of Bath

FINANCIAL TIMES
Monday July 3 1989

By Deborah Hargreaves in Chicago

Crying out for the right black box

IT IS difficult, if not impossible, to bring the world together, as the Chicago Mercantile Exchange is finding in its bid to enlist support for an electronic system to trade futures contracts.

Just as soon as the CME buries its hatchet with its arch-rival, the Board of Trade, fellow converts to the electronic cause balk at not being included in talks between the two Chicago powerhouses. The New York Mercantile Exchange is seething about the CME's postponement of talks on the Globex electronic system.

Futures exchanges are proprietorial about their products and an environment of fierce competition has made them wary of divesting any small amount of sovereignty. It is a *measure of the fear with which* the rising Asian marketplace is regarded that it has prompted exchanges in the US, Europe and Australia to overcome their habitual suspicion of each other to pursue an electronic trading system.

Electronic trading is by far the most contentious issue in the futures market today. The CME and CBT still have another two months in which to hammer out their differences and get on with developing a joint trading system, but other US exchanges are impatient for a lead from Chicago.

The Windy City's hold on the industry stands ready to be eroded: Japan's nascent futures markets are already chipping away at the volume lead Chicago has in futures. With last week's start-up of the Tokyo Financial Futures Exchange, Japan has introduced interest-rate and currency futures which could challenge Chicago's dominance in those markets.

Chicago's exchanges also fear that, unless they move quickly, Japan will steal a march on them in the electronic marketplace. Japan is bursting with liquidity looking for a place to hedge and it is only recently that the country's Finance Ministry has allowed individuals to use futures contracts.

It is this business that the CBT has been trying to capture for the last two years when it opened its trading floor for an evening session. But until recently the CBT resisted a move on-screen, making itself the champion of open outcry.

Chicago realises it has to enter the electronic age if it wants to maintain its position at the helm of a growing global industry. So far, the electronic systems under discussion are only to trade during the 16 hours outside the exchanges' existing open outcry hours, but they could ring the death knell for the Windy City's floor traders.

Both the CBT and CME grip fast to the view that their anachronistic open outcry system *is the most efficient* marketplace, for fear of upsetting that peculiarly Chicago breed of vociferous independent floor traders. It is more efficient, say the exchanges, to have each trader acting as his own auctioneer, in a crush of deafening cries and blur of hand gesticulations, than to use a black box.

But Chicago's colourful traders could already be a doomed species. The computer-power wielded by an army of back-office brokers working for huge *Wall Street trading houses* is already stronger than the muscle of the man on the floor.

One of the real reasons Chicago sticks so hard to open outcry is because it can mask a variety of minor trading sins, some critics argue.

An electronic system would arguably provide a more accurate way of tracking abuse. Indeed, exchanges have already automated many of the functions of the market from order entry to audit trail.

What kind of system will predominate is still anyone's guess. Separately, the exchanges are still moving in entirely different directions. The CBT's Aurora, which its members recently voted to continue developing, simulates a pit trading system while the CME's Globex is an order-matching system. Both exchanges say their systems will be introduced by the end of the year.

The Windy City's exchanges will still try to attract other markets to their system – the CME has grandiose plans for an electronic arena "listing the world's great instruments of finance." If a dispassionate black box is really to be the future of futures, the emotional drama of Chicago's trading floors could soon be a memory as distant as the city's stockyards.

HK protest falls short of forecasts

By John Elliott in Hong Kong

SIR GEOFFREY HOWE, the UK Foreign Secretary, began a three-day visit to Hong Kong on a sour note yesterday when his officials refused to make him available to receive a petition from demonstrators at the airport.

However, protest marches, timed to coincide with Sir Geoffrey's arrival, did not draw the large numbers for which their organisers had hoped and police had expected. Instead of the 200,000 forecast by police, a total of between 12,000 and 15,000 attended three demonstrations during the day.

In a prepared statement, Sir Geoffrey stressed Britain's commitment to Hong Kong in the run-up to 1997 when it *returns to Chinese sovereignty.* But he angered some community leaders by warning Hong Kong against staging a "confrontation" with the UK, which he said was the colony's staunchest friend.

Sir Geoffrey was booed by journalists when he refused to follow his statement with questions and answers. His private secretary then told Rev. Lung Kwong Lo, a Methodist minister who had led a 5,000-strong march to the airport, that Sir Geoffrey could not receive a petition in person.

This angered the march leaders because Sir Geoffrey climbed into his car only a few yards away, inside a security fence, and then drove past them *in a fast-moving convoy.*

The incidents will cast a cloud over what was already bound to be a tense and testing trip because the UK is not prepared to meet Hong Kong's main demand for at least 3.24m people to be given full British passports with the entitlement of right to live in Britain.

The biggest march, of about 7,000 people, ended with a sit-in which continued until the evening outside the residence of Sir David Wilson, the governor, where Sir Geoffrey is staying. This was the largest demonstration at the residence since riots during China's 1960s cultural revolution. Sir Geoffrey and his entourage however were hidden in the residence behind *closely guarded curtained windows.*

Although the numbers on the marches were much smaller than had been forecast, they were still large compared with the restrained demonstrations which took place only rarely until the population erupted into huge protests of 500,000 or more during the recent China crisis.

The low turnout does not, therefore, indicate that there is not a serious problem for Britain over the question of passports. What it seems to show is that Hong Kong's newly-politicised population is not yet ready to take to the streets in great numbers on this issue.

Hong Kong report, Page 3

Nationalism lives: The placard (left) reads "Freedom for Estonia;" the old man wears badges proclaiming Lithuanian nationalism.

On the trail of Soviet Man

John Lloyd on the dilemma that faces President Gorbachev in the wake of resurgent nationalism

PRESIDENT Mikhail Gorbachev's speech to the Soviet people on Saturday night pointed to *one of the deepest failures of 70 years of* Soviet power: the failure to create Soviet Man.

In that speech he said that the fate of his perestroika reform programme "as well as the destiny and unity of our *state*" largely depended on a solution to the country's ethnic problems.

Soviet Man was to be a new creation, formed within the crucible of Revolution, shaped by a society and a culture which was both total and *wholly distinct from the past.* There have been many successes of this method, including President Gorbachev himself. But for all those who became Soviet men and women, as many, stubbornly, refused.

Instead, they have remained Latvian, Azeri, Georgian, Kazakh, Estonian, Jewish, Moldavian, Ukrainian and Armenian – cleaving to an ethnic and often a religious identity which may fuse with a resurgent nationalism, or may seek redress of ancient or not-so-ancient racial wrongs.

Among the former are the three Baltic states of Estonia, Latvia and Lithuania, where popular fronts calling at least for greater autonomy have to a greater or lesser degree made common cause with their *governments and Communist parties.* The Supreme Soviets (parliaments) in Estonia and Lithuania have taken to themselves the right to veto Soviet legislation, while the Lithuanian Communist Party has proclaimed itself independent from the tutelage of the CPSU.

In all three republics, demonstrations and memorials take place most weekends, as the ethnic inhabitants revive a pre-war independent past and seek their own version of history.

In all, too, tensions grow between the ethnic and Russian inhabitants, especially the many Russians who have been recently been drawn there by *industry and* the *higher* standard of living, and who generally do not speak the native languages. In Georgia, too, a militant if divided nationalist movement made itself evident last year – and showed that it had some depth of support.

The attack by troops on an independence demonstration in the Georgian capital of Tbilisi in April, which left 20 officially admitted dead, still acts as a source of huge resentment in the republic, where demonstrations and rallies round the event continue.

The ethnic clashes are often distinct from these manifestations of nationalism, though they are at times linked to them. The best known cause of tension, between the Armenians and the Azeris over Nagorno Kara*bakh, has been less noticed* since the Armenian enclave inside Azeri territory has been transferred from Azeri to Soviet control; but fights and *occasional murders continue.*

Last month, a wave of violence swept through the republic of Uzbekistan as ethnic Turks, shifted from their former homeland under Stalin, were burned out of their houses or murdered; in neighbouring Kazakhstan, four people died in the town of Novy Uzen in racial violence.

The interconnected nature of ethnic clashes and nationalism was best demonstrated by the genesis of the Georgian massacres in April.

Georgian demonstrations had centred on countering protests from the Abkhazians, a minority living in the north west of Georgia, against repression from Tbilisi: the Georgian counter-demonstrations then took the form of a national protest.

"What will happen," asked President Gorbachev rhetorically on Saturday night, "if inter-ethnic discord spreads to regions where millions of people of other nationalities live alongside people of the indigenous nationality?"

He must know the answer to that: it has been made brutally clear that these millions are very often nationalists first, Soviet a long way second.

His reforms have given them the freedom to speak and to act: can they now contain themselves within the limits he wishes to set?

Polish crisis deepens as search for president continues

By Christopher Bobinski in Warsaw

POLAND'S political crisis deepened at the weekend as it became clear that the country's ruling Communist Party cannot construct a government without the assent of Solidarity and of its previously obedient coalition partners.

The Communist leadership is now searching for a parliamentary majority for a candidate from its ranks for the post of president – but Solidarity deputies, who occupy 46 per cent of the seats in both parliamentary chambers, have failed to reveal their intentions in any future presidential ballot.

Last month's partially free elections have created an impasse by producing two "winners": the Party, which was guaranteed the presidency and a parliamentary majority with its allies before the polls; and Solidarity, which took all *but one of the freely contested* seats.

The latest crisis arose on Friday when General Wojciech Jaruzelski, the Polish Communist Party leader since 1981 who had been aiming for the post, told his party's central *committee to recommend* General Czeslaw Kiszczak, a close ally and the Interior Minister, as the party's candidate.

General Jaruzelski made his move after soundings within the official Peasant Party (ZSL) and the Democratic Party (SD), *the previous coalition partners,* which revealed that some 40 deputies in these two groups would vote against him, leaving him at best with a majority of one or two votes.

In the event, the Central Committee asked General *Jaruzelski to reconsider. This* leaves two generals in the race for president, a new post designed to provide guarantees for Poland's Warsaw Pact neighbours that the country would not stray from the alliance and would retain the outlines of a socialist system.

Under a pre-election pact with the authorities, Solidarity is now prevented from putting forward its own candidate for president. Mr Walesa suggested to his deputies that they might support General Kiszczak, arguing that Poland needed a president backed by a large majority in Parliament.

"Otherwise he won't get the dollars," the Solidarity leader added, referring to the possibility of Western aid for Poland.

The suggestion did not go down well, however, with *the* deputies, *since General Kiszczak* was Interior Minister during martial law. In *the* end the 259-member group decided to meet again on the eve of the Parliamentary meeting which would finally select the President and whose date has yet to be fixed, freeing Solidarity negotiators for behind-the-scenes consultations with the Communists.

Mr Bronislaw Geremek, the Solidarity Parliamentary leader, accepted a suggestion that any candidate whom Solidarity supported for president would have to pledge that entirely free elections would be held by 1993.

Brussels may force tougher UK sewage rules

Continued from Page 1

investors in the industry uncertain over whether the privatised companies could still face the threat of prosecution in the European Court.

The Commission and the Government are at odds on the likely cost of meeting the EC purity standards, but ministers concede that it will run into "several billion pounds."

To that will have to be added the estimated £1bn ($1.5bn) cost of cleaning up polluted beaches and, if the directive goes through, investment in sewage treatment plants.

Senior Whitehall officials have conceded that an estimate by Mr Nicholas Ridley, the Environment Secretary, that water prices were likely to rise by at most 12.5 per cent in real terms during the next decade is a "hopeless underestimate."

Mr Michael Howard, the UK minister responsible for water, is understood to have challenged Mr Ripa di Meana on the proposed directive in Brussels last week. He argued that raw sewage pumped into the sea through long "outfalls" is rendered environmentally safe.

The Commission, however, believes that scientific evidence does point to an environmental danger.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	S	27	81	Malta	S	26	79	Rhodes	S	27	81
Algiers	S	31	88	Edinburgh	C	16	61	Manchester	C	17	63	Rio de J'o	-	—	—
Amsterdam	C	16	61	Faro	S	26	79	Manila	C	30	86	Rome	C	32	90
Athens	F	35	95	Florence	R	19	66	Melbourne	S	15	59	Salzburg	C	19	66
Bahrain	F	37	99	Frankfurt	R	23	73	Mexico City	C	25	77	San Francisco	F	20	68
Bangkok	F	34	93	Funchal	F	24	75	Miami	R	30	86	Seoul	C	26	79
Barcelona	S	28	82	Geneva	F	28	82	Milan	F	25	77	Singapore	C	32	90
Beirut	F	32	90	Gibraltar	S	33	91	Montreal	C	18	64	Stockholm	C	18	64
Belfast	F	16	61	Glasgow	F	19	66	Moscow	C	29	84	Strasbourg	-	—	—
Belgrade	S	27	81	Guernsey	S	18	64	Munich	R	19	66	Sydney	S	21	70
Berlin	F	19	66	Helsinki	C	21	70	Nairobi	C	22	72	Taipei	R	35	95
Biarritz	-	—	—	H. Kong	F	31	88	Naples	F	27	81	Tangier	S	25	77
Bombay	F	31	88	Innsbruck	C	18	64	Nassau	C	33	91	Tel Aviv	F	28	82
Bordeaux	-	—	—	Inverness	F	14	57	New Delhi	C	36	97	Tenerife	S	26	79
Brussels	C	17	63	Islamabad	C	29	84	New York	F	29	84	Tokyo	C	30	86
Budapest	F	25	77	Istanbul	F	30	86	Nice	-	—	—	Toronto	S	25	77
B. Aires	C	12	54	Jakarta	C	33	91	Nicosia	F	37	99	Tunis	S	30	86
Cairo	S	35	95	Jersey	F	20	68	Oporto	S	20	68	Valencia	S	29	84
Cape Town	R	13	55	Jo'burg	S	17	63	Oslo	F	19	66	Venice	C	24	75
Caracas	C	26	79	Lima	C	18	64	Paris	C	21	70	Vienna	R	24	75
Casablanca	S	25	77	Lisbon	F	29	84	Peking	F	31	88	Warsaw	C	21	70
Chicago	C	31	88	London	C	20	68	Prague	F	21	70	Washington	S	21	70
Cologne	C	17	63	Los Angeles	F	27	81	Reykjavik	R	10	50	Zurich	C	17	63
Copenhagen	F	19	66	Luxembourg	R	14	57								
Corfu	S	30	86	Madrid	S	32	90								
Dallas	-	—	—	Majorca	F	30	86								
Dublin	S	17	63	Malaga	S	38	100								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Pea green with envy

Continued from Page 1

just ahead of 7-Up in the fascination stakes? Britain's Parker Pen, also, will be pleased to have matched Levi's jeans for excitement and come within a whisker of topping Pepsi-Cola.

The agency also found a darker side to all that gush and enthusiasm. The US was also guilty of under-rating, underselling and undermining itself. Its core of optimism was at risk from a malaise of pessimism which formed during the Vietnam war and grew through Watergate, oil-price crises, stagflation and now the era of the federal deficit.

"This lack of national confidence explains in part why so many Americans are selling so many of our companies to so many foreigners," the report groans, failing to mention that Ogilvy & Mather itself was recently taken over by WPP of Britain.

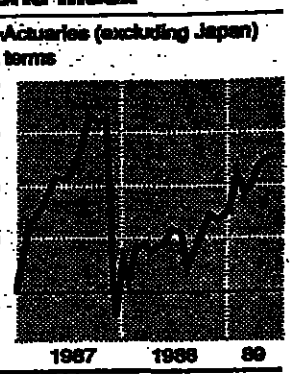
"America: Outsiders looking in", O&M TrendSights, Worldwide Plaza, 309 West 49th St, New York, NY 10019, USA.

THE LEX COLUMN

Defining equities' real fears

The sharp drop in share prices in New York and London at the end of last week cannot disguise the fact that most of the world's stock markets have turned in a rather impressive performance in the first half of 1989. Indeed, investors who have been traditionally underweight in the Japanese stock market have been in the rare position of having outperformed the world indices. The 9.2 per cent rise in Tokyo looks positively pedestrian when compared with the 20 per cent rise in London, and even though currency movements have distorted performances, the robustness of the world's equity markets at this stage of the economic cycle is remarkable.

World Index
FT-Actuaries (excluding Japan)
in $ terms



The biggest surprise of 1989 has been the unexpected jump in the dollar. It has risen by 10 per cent against the DM and by around 15 per cent against the yen and sterling. This has had a powerful effect on the US bond markets, whose strength contrasts with the lacklustre performance of the rest of the world's fixed interest markets. US long bond yields have fallen from 9 per cent to a shade over 8 per cent: the surge in the dollar has been a powerful curb on US inflationary expectations, and this in turn has spurred foreign demand for US assets. With rising political tensions in the Far East and parts of Europe, the US once again looks a safe haven for funds.

However, the rise in the dollar has fuelled inflationary pressures in the economies of many of America's trading partners and last week's concerted rise in Continental European interest rates is a warning signal. If the central banks fail to curb the dollar, the second half of 1989 could be characterised by competitive rises in interest rates which could quickly threaten any hope that the world economy is heading for a soft landing.

At the moment, inflationary worries seem to have a bigger impact on local stock markets than recessionary fears. But this could be changing, and the recent response of the equity markets on both sides of the Atlantic to adverse corporate news, from the likes of Commodore and Ferranti, is a measure of the sensitivity to nasty earnings surprises. Standard & Poor's is forecasting a 17 per cent rise in US corporate earnings this year and the UK market is assuming 10 per cent growth. Any suggestion that these estimates are over-optimistic because of the onset of an early recession might be as testing for equities as an unexpected jump in bond yields.

The good news is that equities do not look terribly expensive. London and New York are selling on prospective multiples of around 11 times earnings, which is lower than those prevailing the month after the October 1987 crash, and the onset of a mild recession need not be terrible news for equities. Admittedly, the UK market peaked 18 months before the onset of the 1974-75 recession and then fell by 73 per cent over the next two and a half years, but not even the real bears are expecting a repeat of that experience.

In the economic downturn of 1980-81, the market peaked the year before the recession, hit its low three months before the recession began, and reached a succession of new peaks even before the recession had ended. It would be dangerous to generalise from the past, but the message is that inflation can be far more damaging for equities than modest recessions.

Yves St Laurent

When it comes to selling luxury goods, high prices seem more of an incentive than anything else. Indeed, it is a rare Western consumer who does not believe that if a scent or a scarf is priced highly enough, it must be worth having.

Yves Saint Laurent must be hoping that the same principle applies to share issues, and so far there is every evidence that this week's flotation of 11 per cent of Saint Laurent's equity will prove the company right. The offer capitalises Saint Laurent at 18.8 times this year's forecast earnings – though the p/e falls to around 15 after adjustment for a FFr1.1bn capital increase completed a few months ago. Either figure looks high by the normal down-market standards of the Bourse. But Saint Laurent's luxury peers command a prospective rating of closer to 25 times earnings; and in the august company of stocks such as Moët Hennessy-Louis Vuitton and L'Oréal, Saint Laurent arguably looks cheap.

Its forecast for growth in operating profits this year – an increase of 10 per cent – certainly does little to distinguish it as an elite operation. But a sharp increase in net profits is virtually automatic over the next few years, as the capital increase and the public offering allow the company to reduce debt by FFr1bn by the end of this year. It will still be about 70 per cent geared; but that beats the 2½ times debt-equity ratio at the end of last year.

Corporate liquidity

For months, the market has been expecting that corporate UK's large financial deficit – £2.5bn for the first quarter of this year, according to last week's CSO figures – would provoke a large number of rights issues. And for months, the market has seen its expectations frustrated.

There are two plausible reasons for this. The first, which is tempting and possibly true, is that the national accounts data are simply wrong, or at least misleading. Sixteen FT-SE companies either have net cash in the balance sheet or are about to achieve that position; and with UK corporate profits rising by 9 per cent between the last quarter of 1988 and the first quarter of 1989, it is hard for the market to believe in the scale of deficit reflected in the national accounts.

The second is that UK companies remain disillusioned with equity after the crash, and are still unwilling to issue stock at current multiples. According to this argument, the decline in popularity of gearing as a measure of financial health has made it possible for companies to favour debt finance over equity. But though there must be some truth in this, it is certainly premature to declare gearing a thing of the past. And if there really is to be an economic downturn, then too much debt cannot be a good thing.

Over time – perhaps beginning with the interim company results season in September – it must become clear whether corporate UK really does have a problem. The danger could be that by then, the state of the economy could make it that much more difficult to do something about it.

مكبر من الاصل

صكنا من الاصل

INSIDE

Eurobonds acquire eastern flavour

The Eurobond market has come a long way from its origins. With a third of its business more dependent upon the course of the Japanese stock market than upon the performance of US Treasury bonds, it is beginning to look misnamed. And this eastern influence is strengthened by the firm lock that Japan's four largest securities houses, led by Nomura International, retain on the top slots in the league table of bookrunners. Katharine Campbell reports. Page 24

Mr Universe is not so muscular

Universal banking — exemplified by the great Continental houses, involved in both the securities and credits markets — is often said to be the wave of the future. Not so, argues David Lascelles in the Business Column. Universal banks have not fared well in London since Big Bang; and may be a relic of the past. Page 38

Headland's high hopes

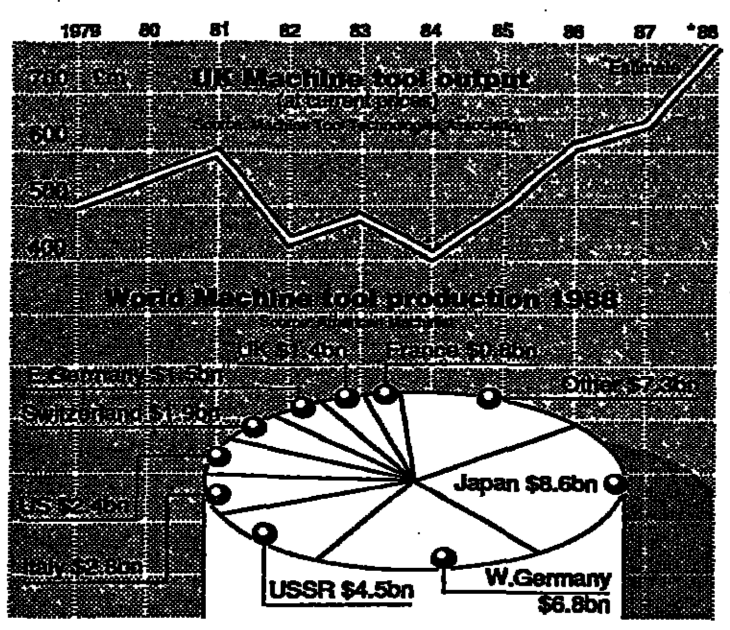
Headland Group, a small British software house, will today name a new chief executive — the latest move in an ambitious plan to create a £100m-turnover international computing services business. Big ambitions are two-a-penny in the software world, but Headland is backed by some of the UK computing industry's best known names, including Mr Robb Wilmot (above), former managing director of ICL. Alan Cane reports. Page 27

Dust settles on Enimont

The formal transfer of some of Montedison's assets into Enimont, Italy's public-private chemicals joint venture, finally went ahead, after days of confusion and uncertainty. The man who raised most of the dust — Mr Raul Gardini, president of the Ferruzzi group, which controls Montedison — gave approval for the vesting of the company's basic chemicals businesses in Enimont late on Friday evening. John Wyles reports. Page 25

Market Statistics

Companies in this section



Machine tool industry's wheel keeps on turning

Nick Garnett on the upheaval that has shaken up a declining sector

It was hardly the sale of the century when a small company employing 80 people at a factory in Gateshead, Tyne and Wear, changed owners last week.

Yet the deal was a significant pointer to the remarkable upheaval which has shaken up Britain's once important machine tool industry over the past few years, and which some observers suggest is symptomatic of a wider long-term industrial ailment in the UK.

The company concerned was Noble & Lund, a heavy machine maker with sales last year of just £7.5m ($11.6m). It was sold to another British machine tool supplier, FMT.

Noble & Lund is hardly a typical British machine tool producer. Since 1985 it had formed part of a diversified investment vehicle (also called Noble & Lund) put together by a Eurobond dealer and which had its shares suspended in March. In other words, it did not form part of a main-line industrial group.

However, the sale represents another piece in the striking refit of the UK machine tool industry's ownership structure. During the past two years, at least a dozen companies, including some of the biggest in this much-shrunken manufacturing sector, have changed hands.

And the most striking characteristic of this realignment has been the way quoted companies have withdrawn from machine tool making. During those two years, five of the eight British machine tool makers with stock market quotations have abandoned the sector, while two US quoted companies have also got out of machine tool making in the UK. Of UK quoted companies, only the 600 Group, B. Elliott and Jones and Shipman remain.

For example, Staveley, which built up a big machine tool empire from the 1960s with names like Cravens, Kearns-Richards, Archdale and Asquith, has been withdrawing steadily for the past 10 years and completed this in 1987 with the sale of Lapointe, a broaching machine maker to Marbaix, a machine distributor based in Basingstoke, Hampshire.

Two main factors appear to lie behind this trend. First, British machine tool makers have simply not been competitive enough on technology and cost against the onslaught of competition from Japanese and West German manufacturers which have come to dominate the sector. Britain had more than 9 per cent of world sales 25 years ago, compared with 3 per cent now.

Second, the evidence suggests that in an industry demanding specialisation and high concentration of investment, it is easier to make a living as an unquoted company, out of the glare of the stock market and its attendant concentration on short-term performance. The big Japanese suppliers and most of those in West Germany and Italy are virtually all privately-owned. It is perhaps significant that five of the British companies which have changed hands recently have gone to management buy-outs.

"In a way, the industry is reverting back to the entrepreneurial structure it once had before the big groups moved into the industry in the 1960s," says one machine tool company owner. "The trouble is the business units the British groups have left behind have generally been weakened."

Mr Eddie Addison, chairman of Addison Tool, a privately-owned manufacturer, says: "The main problem was with machine tool companies which grew by acquisition but didn't really have the management skill to do this successfully."

The three main UK machine tool makers with stock market listings have recovered from the depths of recession in 1983 and have been investing in new products. However, their performance still reflects the headaches of the industry.

The 600 Group has recently sold off its Sykes gear-shaping machine business and its Edwards sheet metal forming machine company. Under previous 600 management, the Colchester and Harrison lathe businesses suffered severe decline. They are being rationalised. The Colchester site, which made 240 machines a week in the 1960s but is now producing about 50, is being reduced from 21 acres to six.

Jones and Shipman, which specialises in *grinding machines*, has improved its performance from the depths of recession and introduced new machines. It has had flat turnover for three years, though, and its profit of £1.1m and turnover of £21.8m last year are marginally lower than that achieved in 1980.

B. Elliott, which includes among its businesses the Butler Newall grinding machine company, obtained £37m of its overall £81m turnover from machine tools last year but has been steadily reducing its dependence on the sector.

The UK machine tool industry is going through a production mini-boom on the back of high demand across Europe.

The UK industry's new structure might prove an improvement. FMT, a producer of advanced production systems, which as KTM shrunk under Vickers control before a management buy-out last year, says it intends investing in Gateshead.

The sector remains cyclical, however. Profits are difficult to make and companies need constant investment to maintain competitiveness.

Few doubt that more ownership changes are in the pipeline. Ironically, FMT, together with some of the other machine tool buy-out companies might eventually seek a stock market quotation. The wheel will come full circle, but will the problems that *go with listed status be any less* serious?

Reform marred by contradictions and confusion

George Graham on new regulations for the French financial markets

Michel Francois-Poncet: "risk of share sclerosis"

The French parliament spent the weekend putting the finishing touches to a new law on "the security and transparency of the financial markets".

The law sets out to accomplish two things: a reinforcement of the powers of the Commission des Operations de Bourse (COB), the French stock market regulator, and a stiffening of the rules on takeovers. But with a series of contradictory amendments and the delegation of a number of important points to the COB, it has become far from clear what will be the overall impact of the bill on French market practices.

In fact, some Paris bankers are saying that the new legislation looks more and more like a polite gesture aimed at quelling complaints over the Pechiney insider trading case and the battle for control of Société Générale, the privatised bank, with a curtsy in the direction of Mr Pierre Bérégovoy's reputation as a liberal finance minister.

For the COB, which publishes this morning its annual report for 1988, the law clearly brings new powers to search, prosecute and fine. The finance ministry has published point-by-point comparisons to show that the COB will have no reason to envy the Securities and Exchange Commission, its US counterpart; indeed, on some points the new law goes beyond what the COB itself had sought.

But the COB can only enforce the laws at its disposal. Last month, for example, it could only register its disapproval through minor technical quibbles when Compagnie Générale d'Electricité (CGE), the engineering and telecommunications group privatised two years ago, pushed through a much-criticised series of restrictions on its shareholders' voting rights; French company law expressly allows such restrictions, and the government showed no signs of wanting to change it.

On takeovers, meanwhile, the new legislation avoids setting out precise rules and leaves the detail of when an investor must launch a bid, and how much of a company's stock he must bid for, to subsequent regulations of the COB and of the Conseil des Bourses de Valeurs, the stock exchange council. It does, however, establish the crucial idea of a "concert party" in French law.

Underlying the whole bill is a *spirit of expediency, reflecting* the ambivalence of the government over what exactly it wished to accomplish.

Typical is the clause, introduced by an opposition senator, outlawing "autocontrole", whereby companies can lock up a portion of their capital by using their own subsidiaries to buy their shares. Mr Bérégovoy accepted this amendment, although most of the remainder of the bill goes more in the direction of protecting entrenched management.

Finance ministry officials explain, however, that by putting off application of the rule until July 1991 they have achieved the dual purpose of looking liberal while in fact changing nothing, since by 1991 all the companies affected will have found some other way of safeguarding their capital.

What is missing, unfortunately, is any clear sense of where the line should be drawn between protecting the right of shareholders to challenge, and if necessary to oust a company's management, and defending existing managements from the mischievous assaults of raiders and greenmailers.

Company managements such as CGE's have shown quite clearly where they intend to draw the line. Implicit in CGE's decision to limit voting rights of shareholders to a maximum of 8 per cent of the company's capital is the view that the suppliers of equity capital should have barely more say over the management of the company than the suppliers of bond capital.

The same view is present in Yves Saint Laurent, the fashion and perfume group to be floated on the Paris second market on Thursday, which has firmly entrenched its management through the "société en commandite par actions" corporate structure, a sort of equity partnership that radically reduces shareholders' powers.

Yves Saint Laurent, however, has come clean ahead of its flotation, unlike CGE, which was sold only two years ago to 2.24m individual investors on quite different terms.

Not every management agrees with the CGE concept.

Some companies, such as Air Liquide, have prospered for decades with a scattered and devoted register of individual shareholders. Others, such as the investment banking group Paribas, observe a duty to the millions of small shareholders bequeathed to them by their successful privatisation.

"I don't think it is a desirable measure for a major quoted company like ours. You run the risk of share sclerosis," commented Mr Michel Francois-Poncet, Paribas chairman.

In many other companies listed on the French stock exchange, sclerosis set in long ago. Theoretically, a company must have 25 per cent of its capital in the hands of the public to qualify for a full listing, and 10 per cent for the second market; in practice, only a small proportion of listed companies can boast even this modest float.

The great majority of listed companies are tightly controlled, often through a cascade of other companies, with the result that the power resides with someone whose ultimate consolidated equity stake is tiny — such as Mr Bernard Arnault in LVMH. The state alone controls, directly or indirectly, nearly a third of the 890 companies on the main and second markets.

Getting rid of this sclerosis would require radical surgery on the stock exchange list; some finance ministry officials suggest around half the companies listed today ought to be purged.

But the stock exchange council provoked howls of protest when it proposed modestly that companies should lose their listing if the turnover in their shares dropped below FFr10,000 ($1,500) a day, or FFr2,000 a day for those traded on regional exchanges.

The legislators have deliberately ducked one possible way of addressing the problem over the longer term, which would have been to compel takeover bids to aim for 100 per cent pof the target's capital. Although the new law and the rules that stem from it will introduce the obligation to bid once an investor passes the threshold of 33 per cent, partial bids will still be permissible.

Members of the National Assembly apparently feared that French companies would not have the financial resources to launch full takeover bids, and preferred the lesser evil of leaving the stock exchange littered with amputated stumps of companies which have no business being publicly listed.

Economics Notebook

Signs of recovery in Europe

"EUROPE comes in from the cold" is the missing headline in the latest Economic Outlook from the Organisation for Economic Co-operation and Development.

Reading between its lines, it is apparent that continental Europe has just experienced its best 18 months since the oil shock of the early 1970s.

After years in which growth of the continental labour force led inexorably to a lengthening of the dole queues, employment has grown on a reasonably sustained basis.

Employment in the OECD's European member countries expanded by 1.4 per cent last year against a 0.9 per cent increase in the labour force. Although Britain, with its 2 percentage point drop in the jobless rate last year, accounted for a good part of the strong employment growth, there were big falls in unemployment in Belgium, Ireland, The Netherlands, Portugal and Spain. France has experienced its first drop in unemployment since 1973.

This recovery has helped revive inflation, although, with the possible exception of Sweden, none of the leading industrial countries on the European mainland face such a serious problem as Britain. Otherwise, strong growth of profits and business investment suggests that the difficult supply side reforms of the 1980s are at last bearing fruit. Recent expansion of productive capacity also bears witness to the galvanising effect of the 1992 programme on countries both inside and outside the European Community.

OECD assessments suggest that the annual non-inflationary growth potential of the major European countries may now be about half a percentage point higher than 2 per cent annual rates estimated in the 1970s. Seemingly small percentage point changes translate into a lot of gross domestic product. "Eurosclerosis" may at last be a thing of the past.

In economic policy making, it is often a sign that an idea works when its keenest backers start to find detailed faults in it. Such is the case with structural adjustment — the ugly jargon phrase used to describe the often unpleasant process of modernising the supply side of economies to make them more competitive.

In the latest edition of its Economic Studies*, the OECD, which has done more than any organisation to promote the idea of structural adjustment, has admitted that its "blessings are not unmixed."

In one article, on trade liberalisation, it finds that firms, workers and possibly entire industrial sectors and historically important trading partners can suffer.

Another article suggests that in certain circumstances, economies which have taken steps to make themselves more flexible and therefore competitive may be less well placed to weather certain types of economic shock than those which have not reformed.

However, such thoughts seem to reflect glasnost rather than heresy. Structural adjustment is still very much on the agenda for OECD members.

What the articles show is that more thought is being given to the way in which structural reforms are applied. For example: if it were possible to turn the clock back 10 years, it is likely that the OECD would have advised Britain to try reforming its labour market rigidities before freeing up its financial markets.

Taking early action to curb trade union power would have been politically much more difficult than the bold stroke of Sir Geoffrey Howe, as Chancellor, to abolish exchange controls in the early days of the Conservative government.

But such an approach may have enabled the recession of the early 1980s to squeeze wage inflation out of the British economy. This the recession notably failed to do. Subsequent abolition of exchange controls may have carried less risk of a soaring pound and de-industrialisation.

Pipeline power

Do Iraq's oil policies threaten the industrial world's prosperity? Mr J. Paul Horne, the international economist of Smith Barney Research in Paris, thinks they might.

Because of heavy buying of oil-loading equipment and increased pipeline capacity to the Red Sea, Iraq may be able to export up to 4.7m barrels of oil a day in a year's time compared with about 3m b/d at present. This, he says, would be more than all other exporters except Saudi Arabia.

Increased export capacity would normally imply lower prices, but Mr Horne believes Iraq will use its new-found strength instead to weaken Saudi Arabia's moderating influence over Opec pricing policy. For example, Iraq could ride out a lower oil price if Saudi Arabia used its excess capacity to push the price down to $10 to $12 per barrel as it did in 1986 and 1988.

Mr Horne thinks that Iraq's challenge to Saudi Arabia helps explain why the Saudis agreed to let the average Opec oil price rise above $18. He sees the Baghdad government in a strong position to push for higher oil prices in Opec with potentially unfortunate results for growth and inflation in oil importing countries.

**OECD Economic Studies, No. 12 Spring 1989, OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex 16. FFr 110.*

Peter Norman

THIS WEEK

THE FIRST clues about US economic activity last month and the erosion of UK foreign reserves will be two themes in financial markets this week.

The US employment report for June, released on Friday, will indicate the extent to which strong growth has continued. In recent months the report has been closely watched, heavily influencing dollar trading.

The consensus of analysts' forecasts, compiled by MMS International, the financial *research company, is for* a rise of 197,000 in non-farm payrolls and an unemployment rate of 5.2 per cent. An unexpectedly large rise in employment — suggesting growth was faster than thought — could trigger speculation about policy moves to slow activity.

Analysts will also be monitoring the meetings on Wednesday and Thursday of the Federal Open Market Committee, the Federal Reserve's policy-making body. The committee is widely expected to prepare the ground for the next easing of the Fed's interest rate policy.

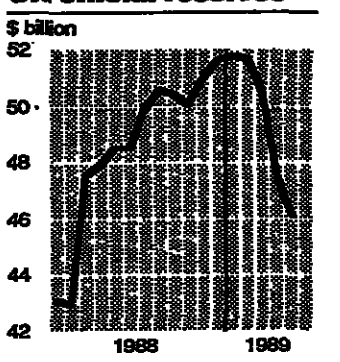
Other US events include the National Association of Purchasing Managers' report on business for June, released today. This covers orders, prices and employment trends, providing a snapshot of manufacturing activity.

The UK reserves figures are published tomorrow. Although the level remains high, recent months' figures have shown steady falls, in part reflecting attempts by the monetary authorities to support sterling. The consensus of analysts is for June's figures to show a fall of $1bn, compared with $740m in May.

Mr Nigel Lawson, the Chancellor, answers questions in the House of Commons on Thursday.

Final figures for UK retail sales for May are published today. Provisional figures showed a jump of 2.5 per cent, surprising analysts and suggesting the slowdown in consumer spending had been temporarily reversed.

UK official reserves



Also out today are figures for consumer credit business in May.

In West Germany, figures for industrial production and manufacturing orders in May and unemployment in June are expected to be published this week. They will provide important indicators of the strength of economic activity.

The West German budget for 1990 will be discussed in Cabinet on Wednesday and Thursday.

Other events and statistics this week (with MMS International consensus of forecasts in brackets) include:

Today: US construction expenditure for May (fall of 0.1 per cent). Japan, foreign reserves in June. UK, details of share allocations for Abbey National offer.

Tomorrow: US Independence Day — all markets closed. UK, housing starts and completions in May.

Wednesday: US car sales for June, seven-year Treasury note announcement. UK, Department of Employment publishes Employment Gazette. Mr Lawson chairs meeting of the National Economic Development Council.

Thursday: France, monthly Government bond auction.

Friday: UK, finished steel consumption and stock changes in first quarter.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Syndicated loan volume declines

THE VOLUME of syndicated lending in the first half of 1989 has shown no sign of reverting to the record pace of the year before, according to data compiled by Euromoney Loanware.

While bank-lending officials caution against reading too much into a single quarter's data, the figures show a significant decline both in terms of the dollar volume of new loans and the absolute number of signings.

In the period between April and June 1989, banks completed 304 syndicated loans totalling $64.29bn. In contrast, the year-ago period saw completion of 567 loans totalling $123.27bn.

Of course 1988, particularly the early part of the year, saw a record volume of financings, most of it related to merger and acquisition activity. And the 1989 data exclude deals announced but not yet completed, such as the hotly contested £2.15bn ($3.3bn) buy-out of Gateway stores.

But looking over the first six months of 1989, the data confirm what has already been market intuition – that deals are far less plentiful than they had been a year ago. Syndicated lending for the period this year includes 799 deals totalling $177.8bn, down sharply from the 1,065 deals totalling $236.05bn conducted during the same period in 1988.

The league table of arrangers for the first half of 1989 shows that US lenders continue to hold pole position, although S.G. Warburg, the UK merchant bank, has risen to sixth place, up from 14th position in 1988. Manufacturers Hanover has edged into first place, up from fifth a year ago, arranging 40 deals totalling $23.52bn in 1989.

Citicorp follows closely behind, arranging 51 deals totalling $22.92bn. Third, fourth and fifth places are held by Chase Investment Bank, Bankers Trust and J.P. Morgan respectively. A year ago, the same five banks occupied the five top slots, although in different order.

Meanwhile, Electricidade de Portugal, the state-owned electricity company, is raising a 10-year loan totalling about DM320m intended to refinance an existing Y23.3bn credit. Lead manager Sumitomo Bank said the borrower's desire to raise D-Marks was linked to the recent decision to include the country's currency, the escudo, in the Ecu.

The pricing of the loan was a subject of some debate among bankers, particularly since Sumitomo said it was still unclear whether EdP's paper carried a risk weighting of 20 per cent as a state-owned entity or 100 per cent as a commercial concern.

The loan carries a six-year grace period and has an average life of eight years. Up-front fees have not yet been disclosed but the margin for the first three years is 15 basis points over D-Mark Libor, rising to 17½ basis points in the last seven.

Sumitomo defends the pricing, noting that a $150m eight-year credit, signed in November 1987, carries a margin of only 15 basis points for the entire life of the loan. However, a LFr740m 8½-year term loan, signed in February 1988, carries a margin of 15 basis points for the first three years, rising to 25 basis points in the last few years.

The Bulgarian Foreign Trade Bank is seeking a $150m eight-year loan paying 40 basis points over Libor – significantly above that on its last few loans in 1988. Arranger is Deutsche Bank Luxembourg.

There is a commitment fee of 18¾ basis points, an underwriting fee of 15 basis points for a $20m commitment and participation fees of 55 basis points for $10m.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,097.0	71.0	803.0	10,455.9
Prev	2,464.4	0.0	121.1	4,523.5
Other	1,073.1	8.3	1,136.1	2,098.9
Prev	1,121.4	99.4	0.0	2,164.2
Secondary Market				
US$	33,236.2	972.7	4,626.3	6,753.7
Prev	31,997.6	1,364.7	4,781.8	7,636.7
Other	15,723.0	2,074.8	4,910.5	29,174.7
Prev	20,435.9	1,279.6	5,306.5	41,805.0
	Cedel	**Euroclear**	**Total**	
US$	11,172.0	48,845.8	60,017.8	
Prev	13,094.9	46,706.9	59,801.8	
Other	20,805.7	34,435.7	55,241.4	
Prev	30,340.1	41,851.9	72,192.0	

Week to June 29, 1989. Source: AIBD

INTERNATIONAL BONDS

Equity warrants seize lead in new-issue activity

THE EUROBOND market might soon need to be rechristened – a market where a good third of its business is more dependent on the course of the Japanese stock market than on the performance of US Treasury bonds has come a long way from its origins.

The extent to which debt issues with warrants attached have come to dwarf any other single sector of the market is shown starkly by figures charting the development of the Eurobond market in the first six months of this year.

According to preliminary figures compiled by the International Financing Review, equity warrant issues now account for a staggering 34 per cent of new issues (expressed in dollar terms), compared with 16.2 per cent for the same period last year.

Perhaps even more significantly, the half-yearly figure of about $27bn-worth of straight dollar-denominated bonds pales somewhat beside the $40bn-odd of dollar bonds with warrants attached issued in the period.

In this light it is hardly surprising that the four largest Japanese securities houses retain their firm lock on the coveted four top slots of the league table of bookrunners.

This time last year Credit Suisse/CSFB Group and Deutsche Bank retained the second and third position respectively. But now the Japanese houses command a shade over 40 per cent of the new-issue market share. Their comparable portion for the first half of last year was 25 per cent.

Nomura International, secure at the top of the pile having brought deals worth nearly twice as much as Nikko Securities, the second most active house (a pattern prefigured in the first quarter), claims 16 per cent of the entire market. Meanwhile, in the warrants sector, the big four ran the books on 96 per cent of equity warrant bonds launched in the first six months.

Another striking feature is that, while the number of issues has stayed fairly constant, the average size of deals has at least doubled.

Nomura, for instance, led just five more warrant issues than its 40 deals last year, but the dollar value amounted to $14.6bn, compared with $5.9bn, illustrating this market's ever-growing sponge-like quality.

It is worth noting that the ebullience of the sector has endured in spite of the relative underperformance of the Japanese equity market as a whole this year. In local currency terms, Japanese equities have risen a modest 4.67 per cent since the start of the year compared, again in local currency, with nearly 20 per cent in the UK and more than 19 per cent in the US.

At the same time, the auction last week of the first yen-denominated bond with warrants in the Japanese domestic market is a reminder that the Eurobond markets' de facto paymaster could move to Tokyo.

Changes in syndication rules may be just beginning to restore a degree of sanity to the fiercely competitive pricing habits that have been customary in some areas of the Eurobond market, but take away the vastly profitable warrant-related portion and the story would be very different.

And without the warrants business, total new issuance (roughly $80bn) actually fell this year compared with the first half of last year (about $82bn). One key factor was the retreat in the D-Mark sector, arising from the currency's significant depreciation against the US dollar.

Meanwhile, in the straight dollar sector achieving borrowers' funding targets has become something of a challenge due to inclement swaps conditions and the onus on lead managers to reform their syndication practices. While some issuance houses still seem prepared to pay out of their own purse the differential between market swap rates and the sort of rate to which high-quality borrowers have become accustomed, current conditions have spurred players to call on their financial engineering resources.

For instance, the Republic of Finland issue brought by J.P. Morgan at the end of May allowed investors to switch from previous Finnish Government dollar paper, with the aim of creating a single liquid benchmark issue that would reduce the borrower's costs over the longer term.

Katharine Campbell

TOP EUROBOND LEAD MANAGERS

Manager	First half 1989 $m	Rank	%	Issues	First half 1988 $m	Rank	%	Issues
Nomura	19.54	1	16.24	84	10.83	1	10.91	78
Nikko	11.80	2	9.80	53	4.76	8	4.93	56
Daiwa	9.12	3	7.58	46	5.76	4	5.97	52
Yamaichi	8.37	4	6.96	42	5.62	7	3.69	50
CSFB	6.08	5	5.05	35	8.79	2	9.11	56
J.P. Morgan	4.87	6	4.05	23	3.37	8	3.49	22
Deutsche Bank	4.70	7	3.85	25	6.91	3	7.16	47
Bankers Trust	3.66	8	3.04	49	3.01	12	3.12	26
Morgan Stanley	3.49	9	2.90	26	2.03	16	2.11	16
Merrill Lynch	3.32	10	2.76	25	3.06	11	3.17	16
Paribas	3.30	11	2.74	25	3.21	10	3.32	25
Goldman Sachs	2.69	12	2.24	22	1.67	19	1.73	13
Ind.Bank of Japan	2.11	13	1.75	27	2.36	13	2.44	25
UBS	1.94	14	1.61	17	3.27	9	3.39	28
Salomon Brothers	1.89	15	1.57	15	2.05	15	2.16	13
Credit Lyonnais	1.84	16	1.53	13	0.70	30	0.72	5
Hambros Bank	1.72	17	1.43	27	1.72	18	1.78	26
Warburg Secs.	1.59	18	1.32	10	2.63	14	2.57	19
Dresdner Bank	1.57	19	1.31	8	1.37	21	1.42	12
Midland Bank	1.47	20	1.22	11	0.73	29	0.76	7
Industry totals	121.23	-	-	843	97.29	-	-	819

† Preliminary Figures - Full credit to book runner. Source: IFR BONDBASE

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nichimen Corp.‡◆	300	1993	4	4	100	Daiwa Europe	4.000
Sanrio Co.‡◆	200	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
City of Kobe◆	150	1999	10	8⅞	101.60	Bk of Tokyo Cap.Mkts	8.630
E.I. Du Pont de Nemours◆	250	1994	5	9	102.33	Goldman Sachs Int.	8.410
Elec.Corp of N.Zealand◆	200	1996	7	9⅜	101⅝	J.P. Morgan Secs.	9.052
T.C. Ziraat Bankasi(f)‡◆	140	2001	12	1⅜	100	Bankers Trust Int.	-
General Motors Ac.Corp.◆	300	1996	7	9	101.425	Morgan Stanley Int.	8.720
American Stores◆	100	1994	5	9¾	101.80	J.P. Morgan Secs.	9.284
Ind. Bank of Japan(n)◆	80	2004	15	9⅜	102¼	IBJ Int.	9.094
Bergen Bank(o)◆	10	1992	3	15	101⅜	IBJ Int.	14.404
Gakken Co.‡	100	1993	4	(4½)	100	Yamaichi Int. (Eur)	★
Japan Development Bank◆	200	1994	5	8¾	101.575	Bk of Tokyo Cap.Mkts	8.352
Mellon Bank Corp.(p)‡◆	200	1994	5	20bp	100	Kidder Peabody Secs.	-
Omnicom Group(q)§◆	100	2004	15	6½	100	Morgan Stanley Int.	6.500
Suez Fin./Frabepar(u)‡◆	166.65	1994	5	5	110	Banque Indosuez	2.827
Shimizu Corp.‡	700	1993	4	(4⅜)	100	Yamaichi Int. (Eur)	★
Mitsubishi P'chemical‡	220	1994	5	(5)	100	Nikko Secs. (Europe)	★
Mitsubishi P'chemical‡	100	1994	5	(5)	100	Yamaichi Int.(HK)	★
Algemene Bank Nederland◆	200	1994	5	9¼	101⅞	ABN	8.647
Jets VII(y)‡◆	41	1993	4	21/30bp	100.10	Mitsubishi Finance	-
CANADIAN DOLLARS							
Oest. Kontrollbank◆	150	1999	10	10¼	101¾	J.P. Morgan Secs.	9.988
World Bank◆	150	1999	10	10⅛	101⅝	IBJ Int.	9.862
AUSTRALIAN DOLLARS							
NSW Treasury Corp.(z)◆	70	1999	10	11½	88.575	Bain Securities	13.661
IBM Australia Credit◆	75	1993	4	15¼	101⅝	CSFB	14.684
State El.Comm.Victoria◆	150	1996	7	Zero	39.75	Hambros Bank	14.067
Credit Lyonnais(t)◆	50	1990	1	21	101⅞	Bankers Trust Int.	18.773
NEW ZEALAND DOLLARS							
Indosuez Australia◆	50	1991	2	14	101.90	Fay, Richwhite	12.883
D-MARKS							
Radex-Heraklith Ind.(c)‡	40	1996	7	6¼	116	Deutsche Bank	3.621
SWISS FRANCS							
Asakawagumi Co.(j)§★★◆	40	1993	-	⅝	100	Nomura Bank (Switz)	0.625
Uekigumi Co.(l)§★★◆	50	1993	-	⅜	100	Citicorp Inv. Bank	0.375
YE Data Inc.(b)§★★◆	60	1993	-	⅝	100	UBS	0.625
Nichimen Corp.(h)§★★◆	100	1993	-	¾	100	Citicorp Inv. Bank	0.750
Ask Planning Cen.(w)§★★◆	50	1993	-	⅝	100	UBS	0.625
KLM(a)♥◆	250	2001	-	5¾	102	UBS	5.518
Ohbayashi Rd Con.(g)§★★	70	1994	-	(⅝)	100	Nomura Bank (Switz)	★
CNT◆	150	1999	-	5¾	102	UBS	5.485
Control Securities◆	100	1994	-	7½	100	S.G.Warburg Soditic	7.500
Mikasa Coca-Cola(m)§★★	40	1995	-	½	100	Credit Suisse	★
Sumitomo Elec.Ind.(r)§★★	300	1995	-	Zero	100	Credit Suisse	★
Daiwa Industries(s)§★★	30	1994	-	(½)	100	Bank Leu	★
Nip.Koshuha Steel(v)§★★	140	1994	-	(⅝)	100	Yamaichi Bank(Switz)	★
STERLING							
Alliance & Leic.(k)‡◆	150	1996	7	1/16	100	Baring Brothers	-
Bristol & West(l)‡◆	150	1994	5	1/16	100	J.P. Morgan Secs.	-
EIB◆	100	1999	10	10½	98.55	Baring Brothers	10.744
FRENCH FRANCS							
Denmark◆	1bn	1996	7.16	9	101⅞	Credit Lyonnais	8.628
International Paper Co.◆	500	1994	5	9⅜	101½	BNP Capital Markets	8.989
GUILDERS							
Mitsubishi P'chemical‡	200	1994	5	2¾	100	Amro Bank	2.750
LUXEMBOURG FRANCS							
EIB★★◆	300	1996	7	8	100¼	Credit Lyonnais	7.952
YEN							
Toshiba America◆	10bn	1994	5	8	114.863	Shearson L'man Hutton	4.605
Toshiba America(d)◆	10bn	1993	4	7½	101⅝	Bankers Trust Int.	7.020
Sparekassen SDS(e)◆	5bn	1994	5	(e)	101¼	Sanwa Int.	-
Jets VI(x)◆	5bn	1993	4	(x)	101⅝	Mitsubishi Finance	-

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ♥With bond warrants. ‡Floating rate notes. ◆Final terms. a) With bond warrants to subscribe to 5¾% bond at 100 between Aug 1989 and July 1990. b) Yield to put 4.251%. c) Each DM1,000 has 14 warrants, each warrant entitles holder to buy 1 bearer share worth ASch100. d) Launched in two tranches, one of Y7bn and one of Y3bn – both linked at redemption to Nikkei stock index. e) Coupon linked to Nikkei stock index. f) 1⅜ over 6-month Libor, July 1992 reduces to 1¼, and July 1996 1⅛. Call and put at par on coupon dates from 1992. g) Indicated yield to put 4.241%. h) Yield to put 4.05%. i) Yield to put 4.30%. j) Yield to put 4.074%. k) 1/16 over 3-month Libor. Call at par from 1994. l) 1/16 over 3-month Libor. m) Yield to put 4.079%. n) Additional $80m on tap. o) Redemption linked to oil-price. p) 20bp over 3-month Libor. q) Put and call options. r) Indicated yield to put 3.791%. s) Indicated yield to put 4.28%. t) Redemption linked to S.Fr. All payments in A$. u) Warrants issued in name of Frabepar. v) Indicated yield to put 4.25%. w) Yield to put 4.286%. x) Coupon 5¾% first 3-months, 8% thereafter. y) Issued in two tranches; one of $10m and one of $31m, 21bp and 30bp over 6-month Libor. z) Exchangeable into domestic issue at any time. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Audit link to dual trading curbs

By Peter Riddell, US Editor, in Washington

A PROPOSED ban on dual trading in US futures markets has been linked to an improvement in audit procedures, under legislation put forward with bipartisan support in the House of Representatives.

The bill, intended to strengthen the supervisory role and powers of the Commodity Futures Trading Commission (CFTC), would ban dual trading, under which brokers can trade simultaneously for customers and themselves.

The ban would apply to any futures contract with an average daily volume of 7,000 or more. There would be exemptions and adjustments if a customer specifically agreed or there was undesirable volatility. The ban would, however, be lifted for exchanges meeting new audit trail standards, which allow the reconstruction of the timing of trades to see whether a fair price has been obtained in a deal.

Under the legislation the CFTC would not be allowed to approve new contracts at any futures exchange that failed substantially to improve its auditing procedures – with a one-minute standard for reconstruction of deals being required within a year and a 30 second standard within three years. When these standards were met the ban on dual trading would be lifted.

The proposals have been criticised by the Chicago Board of Trade on the grounds that they have not been "thoroughly thought through" and would "pave the way for the loss of American futures markets to foreign competition."

Mr Glenn English, the Democratic chairman of the House sub-committee which oversees the futures markets, said he had no objection to dual trading as long as regulators were in a position to detect abuses.

He added that legislation would be formally introduced on July 11 after the Independence Day recess. He expected the full House would act on the measure before the September 30 deadline for approving the budget of the CFTC.

The Senate is proceeding more gradually. Senator Patrick Leahy, the Democratic chairman of its Agriculture Committee, has said he will not introduce a comparable bill until the General Accounting Office finishes a wide-ranging inquiry into trading practices in the futures and stock markets.

Nevertheless, there is broad support from both Democrats and Republicans for tighter regulation in the wake of the current federal investigations into allegations of fraud and abuse at leading exchanges. While the futures exchanges are likely to lobby for amendments, the expectation is that a version of the current proposals will become law.

Mr English's proposals also involve raising the budget of the CFTC and making it a permanent agency. In addition, the CFTC would be directed to co-operate with other federal agencies to conduct undercover enforcement operations.

The bill would also require the CFTC to produce rules establishing a cooling-off period for telephone approaches to first-time futures customers. Consequently, new speculative customers solicited by telephone would not be allowed to trade on new accounts until three days after the contract was signed.

Montedison transfers some assets to Enimont

By John Wyles in Rome

THE FORMAL transfer of some of Montedison's assets into Enimont, Italy's public-private chemicals joint venture, finally went ahead at the weekend, after days of confusion and uncertainty.

The man who raised most of the dust, Mr Raul Gardini, president of the Ferruzzi group which controls Montedison, gave approval for the vesting of the company's basic chemicals businesses in Enimont late on Friday evening.

He did so after receiving assurances from Mr Ciriaco de Mita, the caretaker Christian Democrat Prime Minister, and Mr Gianni De Michelis, his Socialist deputy, that there would be no attempt to change the terms of the Enimont agreement between Montedison and Eni, the state holding group.

The assurance took the form of a promise to renew, unaltered, the decree law which allows Montedison L825bn ($584m) of tax referrals, following a revaluation of its assets. The present decree needs to be renewed by July 14, since it is unlikely the parliament will translate the original decree into law by then.

During Friday's talks Mr Gardini continued to raise doubts about his commitment to the joint venture by requesting a 30-day postponement of the asset transfer. This was refused by Eni.

Mr Gardini's campaign of alternately ambitious and menacing declarations on Enimont has delivered him greater assurance about the tax referrals.

He may also have strengthened the position of Montedison management in the joint venture by his pledge that he intended to take advantage of a clause in the agreement which will allow him, in three years' time, to transfer Montedison's specialty chemicals businesses into Enimont. This would then make him the controlling shareholder.

But this initiative has complicated the task of Mr Lorenzo Necci, Enimont president, who wants to forge a single management out of quite different corporate traditions.

Toronto property group sweetens Steinberg offer

By Robert Gibbens in Montreal

A TORONTO financial and property group has sweetened its offer, from C$1bn to C$1.3bn (US$1.1bn), to buy the family-controlled Steinberg food distribution company.

The Oxdon Investments Group comprises Oxford Development Group, a real estate developer, Unicorp Canada, a big holding company, and Gordon Investment, all of Toronto.

Steinberg operates its wholesale and retail food distribution business in Quebec and eastern Ontario and ranks third in the Quebec market, where it originated. It also operates a department store chain, but the company's real value lies in its property holdings. Through Ivanhoe, a 100 per cent subsidiary, Steinberg owns stores and complete shopping centres in eastern Canada and the US and also a large land bank in the Montreal area.

The three daughters of the late Mr Sam Steinberg, architect of the company's post-war expansion, own 52 per cent of the voting shares. Two years ago they began quarrelling openly about the company's future.

This invited an initial approach from Oxdon, which proposed buying all the family holdings in Steinberg, plus the public's non-voting shares. Steinberg would have been restructured into a property company, with its food distribution assets sold to Loblaws, the Toronto-based food distribution side of the George Weston group.

The Steinberg family patched up its quarrel and twice repulsed Oxdon. Meanwhile, under the leadership of Mr Irving Ludmer, Steinberg's grocery business recovered, while its property assets have grown further in value.

However, Oxdon has now sweetened its offer considerably, offering C$75 a share for the voting stock and C$50 a share for the non-voting stock. The offer for the voting stock is increased by about a third from Oxdon's original approach in January 1988 and the offer for the non-voting shares is up about C$5 a share from the average market level in recent weeks.

Laidlaw climbs 35% to $54.7m

By David Owen in Toronto

LAIDLAW Transportation, the Canadian waste management and school bus company which holds a substantial minority interest in UK-managed ADT, has reported a sharp increase in third-quarter earnings.

Income for the period jumped 35 per cent to US$54.7m or 25 cents a share on revenues of $389.6m. This was in spite of earlier warnings that the group would not attain its customary target of raising net income by at least 30 per cent this year.

In the year-earlier period, profits totalled $40.7m or 21 cents a share on revenues of $326.6m.

The stronger than expected advance was due to a less difficult than anticipated quarter in the school bus division, which is experiencing high driver turnover due to low US unemployment.

For the nine months ended May 31, earnings rose by 26 per cent to $139.6m or 68 cents on revenues of $1.1bn.

In the corresponding 1988 period, the group earned $110.5m or 57 cents on revenues of $901.4m.

CME to launch three contracts

By Deborah Hargreaves in Chicago

THE CHICAGO Mercantile Exchange (CME) plans the launch of three new futures contracts on Thursday to cash in on its lucrative interest-rate and currency futures.

The "Diff" contracts will be based on the differential between the CME's Eurodollar and currency futures.

Eurodollar futures led the CME in trading volume last year when more than 21m contracts changed hands – trading in the first half of this year has almost exceeded that figure. In addition, currency futures volume is up 30 per cent against a year ago.

Diffs are the brainchildren of Mr Richard Smith, a consultant working with the CME, who pioneered interbank forward spread agreements three years ago. The diffs are essentially the same as Mr Smith's forward spreads except that they will be more visible and easier to finance once they are traded on an exchange.

The three diff contracts to be traded on the CME will relate to rate differentials between three-month Eurodollar deposit rates and rates on three-month Eurosterling, Euromark and Euroyen deposits.

The contracts will be used by banks, specifically those moving large amounts of money around the world and conducting much cross-currency business. Mr Smith expects them to be useful for tailoring interest-rate hedges for multinational companies.

The CME has introduced a permit programme to get the new products off to a good start, making them available to a wider set of traders.

Connaught shares hit by poor forecast

By David Owen in Toronto

SHARES OF Connaught BioSciences fluctuated sharply last week in response to internal projections of slower earnings growth.

Having plunged C$3 on Thursday to its lowest level in more than a year, the group's stock recovered C$1⅞ the next day to close at C$26⅞, down C$¾ on the week.

The activity coincides with plans by the Canadian vaccines and pharmaceuticals group to merge its worldwide human-health businesses with Institut Merieux of France, to create the world's largest vaccine producer.

The forecast was made by Mr Brian King, chairman, at the company's annual meeting in Toronto.

Mr King attributed the insipid outlook to "the intensifying competitive environment... the need for higher research and development spending and the absence of a significant new product introduction."

He forecast it would be hard to show the kind of earnings growth the group had experienced previously.

The company is facing cheap generic competition for Cardizem, the profitable hypertension medicine marketed by Nordic Laboratories, in which Connaught holds a 35.4 per cent stake.

In 1988 Cardizem accounted for C$93.7m (US$78.7m) of Nordic's C$120.9m aggregate sales.

The proposed deal with Merieux has proved controversial in Canada because control of the new company would pass into French hands.

Imasco sheds 120 more drugstores

IMASCO, the financial services, fast food, retailing and tobacco group, has sold another 120 drugstores in Indiana to a private US group. The price was not disclosed, writes Robert Gibbens.

Imasco has already sold more than 200 stores in the US. The US drugstore chain will now comprise 500 stores in Washington DC, the mid-Atlantic states and Pennsylvania. The group will be profitable.

● Canadian Pacific is putting two US subsidiaries on the block. They are Syracuse China, which makes commercial china products and has annual volume of US$60m, and Processed Minerals, an industrial minerals producer with annual sales of about US$20m.

● Hyundai Auto Canada is putting a C$125m (US$105m) stamping plant beside its new C$350m car assembly operation near Montreal. It will begin making metal components in October 1990, increasing the Canadian content of the Canadian-assembled Somata car to near 50 per cent.

Chubb Holdings secures profits gain

CHUBB HOLDINGS, the South African security group controlled by Racal, lifted sales and profits in the year to March 31 1989 with strong growth in demand for physical security products, writes Jim Jones from Johannesburg.

Turnover increased to R122m ($44m) in the period, from the previous year's R99m. Trading profit before interest and tax rose to R15.6m, from R10.8m, and pre-tax profit was R14.3m, against R10m.

Mr Dirk Ackerman, chief executive, said margins of the physical and fire security divisions increased significantly, while there was little change in the electronic security division.

Earnings increased to 146 cents a share from 97 cents and the year's dividend has been lifted to 42 cents from 38 cents.

US MONEY AND CREDIT

Investors prepare for quiet week

ANY US bond investor or trader pining for the quiet life after the rousing rally of the past two months will enjoy this week.

Confident that the Federal Reserve will ease monetary conditions another notch within the next week, most investors squared their positions and headed off for a very long weekend. Unless the dollar suddenly swoons, not much is likely to happen before the US bond market closes at 2pm today ahead of the Independence Day Holiday tomorrow.

Business is unlikely to boom later in the week, when the Fed's policy making Open Market Committee meets on Wednesday and Thursday. Some debate is certain between the inflation hawks – mostly reserve bank presidents from around the country – and the doves, mostly Fed governors. But another ¼ point cut to 9¼-9% per cent in the central bank's target range for Fed funds, the rate at which banks lend reserves to each other, is considered a foregone conclusion.

Timing is the main variable. Most people believe the Fed will hold off until after the market has seen the June employment data, to be released on Friday. Perhaps as many as 240,000 new jobs were created last month, but the market will probably rationalise away its worries about this hefty number. The figures cover five weeks and considerable numbers of school leavers and student summer workers. Anyway, the data generally rebound after a weak month such as May's 101,000 jobs.

A more accurate picture of the economy's sluggishness should come this morning with the June report of purchasing managers' sentiment. The reading for May was 49.7 per cent, the first time since July 1986 it was below the 50 per cent mark, indicating an economic slowdown. A June figure of 45 per cent or so was the rumour traders gleefully batted about the market last Friday.

Similar evidence last week of economic weakness triggered a curious market response. The May index of leading economic indicators was down 1.3 per cent from April, the biggest drop since the 1987 crash. Yet a sizable sell-off swept through the market, with profit-taking the common explanation.

The index is one of the easiest series to forecast so many traders had used the old tactic of buying on the rumour and selling on the news.

Assuming the purchasing managers' news and that on jobs turns out as expected, they will give Mr Alan Greenspan, the Fed chairman, a chance to push through the second small easing of conditions in a month, before he goes up to Capitol Hill on July 20 to give his semi-annual report to Congress.

But market participants are divided over whether the Fed will take the easing a significant stage further by cutting the discount rate soon. The arguments lean towards no.

To cut now would "seem heavy handed" when the current 7 per cent discount rate is low compared with Fed funds, argue Griggs and Santow, the money market economists. More data substantiating the slowdown is necessary first.

This month will keep the Fed busy not only with some difficult policy decisions but also some technical problems. It will have to drain significant reserves from the market for two reasons: the Treasury's balance at the Fed is going to fall from a remarkably high $18bn to a more normal $5bn in coming days; and the Fed has been intervening heavily against the dollar.

In spite of the draining operations, the Fed funds rate will probably stick on the low side of the Fed's target, giving the unwary the impression of a greater than actual easing of conditions.

Assuming the Fed does loosen up a bit, where does the bond market go from here? The yield on the Treasury's 30-year benchmark bond ended last week at just a few basis points above 8 per cent, its lowest level in two years. Can it push lower?

Many analysts consider the market will languish in a trading range with the benchmark long bond, for example, fluctuating between 8 and 8½ per cent.

Among the optimistic analysts is Mr Philip Braverman of Irving Securities. "Portfolio buyers will undoubtedly resist coupon yields below 8 per cent, at least initially," he says. In addition, yields may backtrack for the Treasury's August refunding. Nevertheless, yields should be down to 7½ per cent by the end of the year and between 7 and 7¼ per cent by mid-1990.

He bases this not on a forecast of an outright recession but on an economic slowdown sufficient to prompt further easing by the Fed. He forecasts that Fed funds will be down to 9 per cent by September and 8¾ per cent by year-end.

Help will come also from a dollar which "is likely to remain buoyant, reflecting the attraction of the uptrend in prices of US Treasuries, the potential for renewed dollar appreciation, good prospects for slowing US inflation [versus an acceleration overseas], and a persistent inflow of funds seeking investment from less politically stable financial centres."

The dollar held its ground well last week. When the Bundesbank led a round of rate increases across Europe, the dollar dipped but quickly sprung back.

In theory, falling rates in the US and rising rates abroad should weaken the dollar's attractiveness. But Salomon Brothers argued over the weekend that this need not be the case.

"With investors anticipating improved US trade and inflation performance in the coming months, a further narrowing of interest rate differentials need not imply a weaker currency as long as the Federal Reserve follows – rather than leads – market forces," it said.

So far the market has relished taking the lead, relentlessly driving down yields for the past two months.

Roderick Oram

Barclays announces issue pricing

BARCLAYS BANK has announced the pricing of its $184m issue of non-cumulative preference shares, which will count as Tier 1 capital under the new capital adequacy rules, writes Katharine Campbell.

The gross dividend was set at an annual 10.875 per cent which lead managers Merrill Lynch said worked out at a cost to the UK bank of just over 8 per cent, considerably cheaper than issuing ordinary shares.

The issue represents the balance of a $500m shelf registration filed for the US domestic market in May.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	9.25	9.62	9.00	10.88	6.27
Three-month Treasury bills	8.25	8.33	9.01	9.13	6.21
Six-month Treasury Bills	8.13	8.38	8.98	9.67	5.72
Three-month prime CDs	9.10	9.20	9.55	10.15	6.77
30-day Commercial Paper	9.30	9.39	9.50	9.70	6.55
90-day Commercial Paper	9.05	9.15	9.30	10.85	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	106¾	+⅔	8.08	8.27	8.68
20-year Treasury	111½	+1½	8.13	8.28	8.65
30-year Treasury	109¼	+1⅜	8.03	8.19	8.61

Source: Salomon Bros (estimates).

Money supply: In the week ended June 19, M1 fell by $1.5bn to $768.3bn.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 29/6/89	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	147.57	5.31	147.48	147.83	148.47
Government Bonds	147.42	5.14	148.32	148.10	149.67
Municipal Bonds	149.51	5.50	149.49	149.60	150.25
Govt.-guaranteed Bonds	150.63	5.55	150.58	150.60	152.22
Bank Debentures	141.59	5.39	141.44	141.74	141.42
Corporate Bonds	150.60	5.51	150.50	149.64	147.71
Yen-denom. Foreign Bonds	155.61	6.08	155.53	153.35	153.33
Government 10-year†	5.23		5.22	4.95	4.81

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Rally short-circuited from abroad

THE GILT-EDGED market and the authorities had two giddy days of relief last week before they were mugged by reality, in the form of the West German Bundesbank.

The near two-point rally in long gilts after Tuesday's trade figures may have been an over-reaction – the market was squeezed and had become fixated with sterling – but it fell with unsettling speed after the Bundesbank surprised markets with its ½ point rise in its discount and Lombard rates.

The German move, which triggered a co-ordinated increase in most other European interest rates, appears to have put sterling back in play. The pound, which after the trade figures had some respectable currency economists thinking it was headed back to the DM3.15 area, now languishes just above DM3.

So what are the factors that might drive sterling lower and force another rise in UK base rates?

Pressure for the Bundesbank to raise rates came from a number of quarters. The central bank had just completed its mid-year review of its money supply targets and the German economy and had come to the conclusion that things were moving ahead more briskly than it had thought in April.

Its decision to raise rates also had the full support of the French, especially the Bank of France, which earlier last week had signalled its interest in higher European rates. Central banks were informed by the Bundesbank that it was likely to raise rates at a meeting of the EC Monetary Committee in Brussels on Thursday.

The word in Frankfurt is that Thursday's rise, like April's, was a pre-emptive strike, furthermore the Bundesbank has taken the view that, having moved, it is not going to be pressured into moving again, especially not by foreign exchange markets.

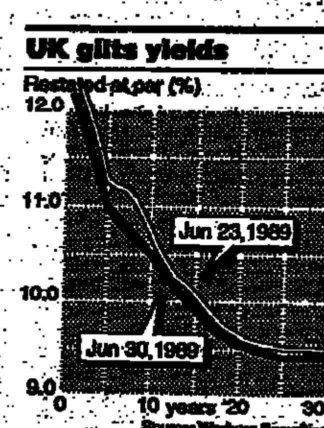
Now that the Bundesbank has its mid-year interest rate adjustment out of the way, the Continent is unlikely to provide a source of discomfort for the UK authorities.

If sterling can last the distance it should not face a threat from this side of the Atlantic. The outlook is even more benign if one looks towards the US, where a steady to downwards trend in interest rates is in prospect.

What of the domestic situation? Above all is the lack of clarity the current snapshot of the economy exhibits. For every positive sign, there is a negative counterpart. For an investor in gilts, with an eye to fundamentals, the outlook is not encouraging.

Inflation may have peaked, or be very near its peak, but it is not going to fall very far in a hurry. Recent figures for gross domestic product, which showed the GDP deflator at 8.3 per cent in the first quarter,

UK gilts yields



underline the extent of the domestic inflation problem and make current yields in the market look expensive. Even the Bank of England emphasises that getting inflation down will take time.

There are also doubts about the speed of the slowdown currently under way in the UK. The May rise in retail sales, relatively buoyant mortgage lending and the bounce in M0 in May have all served to sow doubts in the minds of many. And it is not only the City, but Treasury ministers as well who are growing a trifle impatient with the tardiness with which the economy is responding to the high interest rate regime.

Cautionary tale

The 8¾ per cent Treasury Stock 1994, of which the Bank of England bought back nearly £200m on Friday, is one of those stocks which encapsulates neatly the recent history of the gilts market.

It sprang to the notice of the unsuspecting investor (in the form of a tap) on March 16 last year when the Bank offered it at a price of £97. Investors took some coaxing, but two days later the Bank had unloaded the full £800m at a final and higher price of £97¾.

The stock then re-emerged in August, this time as in the auction of the 10th. The Bank sold £750m at an average price of £93¾. Although the original holders of the stock must have been feeling a little queasy, this did not stop others submitting bids three times the amount of stock on offer.

The circle came on Friday. The Bank reverse auctioned a stock it had issued and auctioned only 16 and 10 months before respectively. And what a deal it got.

It bought nearly £200m at an average price of 91¼, 6 points better than it had originally sold it for. It made a profit of about £2m on the transaction, – enough, one suspects, to allay even the fears of the Prime Minister about the ability of central banks to deal in markets profitably.

If you can't buck the market you can certainly take it for a ride, occasionally.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JUNE 30

UK COMPANY NEWS

SI in rescue talks after losses more than double

By Andrew Hill

SI GROUP, which makes cooling equipment for the brewing and catering industries, is negotiating a deal with a group of private companies in an attempt to safeguard the future of the group.

The company said on Friday that pre-tax losses more than doubled from £328,000 to £896,000 in 1988, and that the group's auditors had qualified the company's accounts for the year.

Turnover was down from £7.98m to £6.35m, but trading losses increased by to £670,000 (£55,000). The loss per share was up from 1.41p to 3.58p.

SI's chairman, Mr Hugh Gibson, said an air of uncertainty had followed a downturn in business at the time of the Monopolies and Mergers Commission report which recommended the sale of tied houses by SI's major brewing customers.

SI had already closed its drink dispensing product operation and its loss-making subsidiary, Schofield & Samson.

"New, non-beer related products are expected to contribute 10 per cent of SI Industries Limited's 1989 sales," he said, "but turnover is insufficient to sustain the group, let alone provide an acceptable level of organic growth."

Mr Gibson said he expected to announce specific proposals to rescue the group "within the next few weeks", and they could involve the issue of shares in SI to the vendors of the private companies.

He added that the auditors' report on the accounts for the year to December 31 contained a going concern reservation.

SeaCon meeting called off

By John Ridding

PLANS FOR talks between Sea Containers, the ferry and container group, and Tiphook and Stena, the two companies launching a joint $824m hostile bid for it, have collapsed.

Stena, the Swedish ferry company, and Tiphook, the UK container rental company, agreed last week to a meeting with Sea Containers, which was provisionally scheduled for tomorrow.

However, a spokesman for Sea Containers said yesterday that "although the lines of communication are still open there will be no meeting on Tuesday."

According to Sea Containers the conditions for holding the talks - that Tiphook and Stena could show they had adequate finance for the bid, and that there should be a standstill agreement whereby they would not increase their stake in Sea Containers - had not been satisfied.

Mr Roger Braildwood, Tiphook's finance director, said that there had never been a fixed date for talks and that "As long as one of the conditions is a demonstration that we can pay what we believe is too high a price, then there is little basis for a meeting."

On Friday, Tiphook and Stena filed a suit against Mr James Sherwood, president of Sea Containers, in the District of Columbia seeking to prevent him "making misleading disclosures over the offer and the value of Sea Containers."

Sea Containers has filed charges with the Securities and Exchange Commission in New York, claiming that the $56 per share valuation which Temple has placed on Sea Containers was an unfair attempt to depress its share price.

The rebirth of a shooting star

Alan Cane looks at the recovery underway at Headland Group

MR NICHOLAS BIRTLES will be named today as chief executive of the USM-quoted Headland Group. His appointment marks the end of the first phase of a recovery plan designed to create within five years an international computing services organisation with turnover of £100m.

Such ambitions are commonplace in the volatile software world; the Headland plan, however, is backed by some of the most prestigious names in UK computing circles, including Mr Robb Wilmot, former managing director of ICL, and Mr Alex Reid, former director of business systems at British Telecom.

Headland, which had sales last year of more than £8.2m, isin the vanguard of the rationalisation now reshaping the UK computing services business. Some 2,000 companies compete in the sector, but 53 per cent of the market is served by the eight largest.

Mergers among the smaller companies have become an inevitable consequence; there were 76 last year alone with a value of £500,000 or more. The leading example is insurance software specialist Misys, which is digesting its fifth acquisition in two years.

The recovery plan at Headland is the work of Octagon Industries, formed in 1986 to turn round troubled information technology firms. It raised the market value of its first client, word processing firm Wordplex, from £8m to £19m when it was bought by the Norwegian computer company, Norsk Data.

Its founder, Mr Geoffrey Bristow, has been executive chairman of Headland, formerly Compsoft Holdings, since September 1987, when Octagon put together a rescue package in exchange for share options, board appointments and a management services agreement.

Shareholders, including Mr Wilmot, related to Octagon now hold just over 20 per cent of Headland's equity.

Now Mr Bristow will hand over day-to-day management of the group to Mr Birtles, 44, formerly head of international operations for Relational Technology, a fast-growing US-based software company.

Mr Bristow will concentrate on acquisitions to strengthen the group's portfolio of software products. The group, he says, intends to be the leader of the new wave of business software based on the emerging open systems standards. Compsoft had been one of the UK's software shooting stars. It developed an advanced data base management system called Delta which won industry awards and sold to prestige customers. The company handled its growth badly, however, resulting in a pre-tax loss of £1.28m in 1987.

In the 18 months since the rescue commenced, the Octagon plan has resulted in pre-tax profits for 1988 of £850,000, a ten-fold increase in net assets to £3.8m while net borrowings of £1.8m have been turned into net cash of more than £1m.

Mr Bristow says the turnround was achieved by exploiting neglected sales opportunities and cutting overheads - in particular, closing five loss-making overseas subsidiaries. He also acquired two small companies - Wootton Jeffreys with strengths in computing services and transport planning and Mega Corporate Systems, a developer of an advanced integrated accounting systems called "Miracle."

NOW that the essential financial turnround had been achieved, Mr Bristow said, there was a firm platform on which to build. He had divided the company into two complementary business areas, Headland Systems, specialising in software and Headland Professional, which aims to exploit the urban planning skills of Wootton Jeffreys.

The principal aim on the software side is to build up a portfolio of commercial software that will operate on the fast-growing Unix system. Unix, many people believe, is the best hope of an industry-wide standard operating system for small and medium-sized machines.

Mr Birtles, speaking from some 20 years' experience in the software industry, says the bandwagon is rolling to Unix but little commercial applications software is yet available.

A principal aim, building on the technology in Mega's Miracle product will be to create an accounting software based on modern relational technology that can be used by all sizes of companies.

At present, when a company outgrows its accounting system it has to throw the system out and start over again - often with serious consequences for its business.

Mr Bristow says the company will invest about £3m over five years in the new product; the market potential would, however, be very large. Mr Birtles, who has been closely identified with the growth of Relational Technology outside the US, said he had been attracted to his new job by the challenge of marketing applications software.

The relational database industry had become a commodity business, he said. Now it was time to do for applications software like accountancy packages what companies like Relational Technology had done for the database market.

Gateway offer document posted

NEWGATEWAY, the vehicle through which Wasserstein Perella, the US corporate finance boutique, and US food retailer Great Atlantic and Pacific Tea Company are making their recommended £2.15bn offer for Gateway, posted its offer document at the weekend, writes Nikki Tait.

In it Gateway chairman, Mr Alec Monk, argues that Newgateway can bring "proven retail skills" to bear on the UK food retail group's business. By contrast, he attacks Mr David Smith, chief executive of the rival bidder Isosceles, for having "no retailing experience" and "never being chief executive of any large company".

The document discusses the US bidders plans for Gateway only briefly. It states there will be a "strong focus on regional strengths", "independent regional operations with strong corporate controls", and "unique management and employee incentive programmes". It says certain underperforming assets will be sold and the Gateway product range may put greater emphasis on higher-margin, higher-growth items such as fresh produce and pre-prepared meals.

The final funding package for the bid is set out more fully. WP Management is putting £280.9m of equity into Newgateway Holdings, which will own Newgateway, and A&P, £261m of junior subordinated debentures; there is a £500m mezzanine facility with a margin of six per cent over LIBOR at the outset, rising to a possible nine per cent after one year; and there are six senior debt facilities, totalling £1.85bn, all carrying a margin of two per cent over LIBOR.

Aaronson sees profit fall in first half

By Edward Sussman

SHARES in Aaronson Brothers fell 18p to 81p on Friday after the manufacturer of chipboard and plastic products warned that its profits for the first half of the current year would be substantially lower than in 1987-88.

Aaronson blamed the decline on difficult trading conditions and high interest rates, along with the cost of moving its plastics production facility from Rickmansworth to Telford. But the group said it expected to maintain its interim dividend at 1.8p.

In the year to September 30 1988 Aaronson reported virtually unchanged pre-tax profits of £5.82m on turnover of £108.9m.

BEP expands 33% to £8.1m

Bristol Evening Post, the West Country newspaper proprietor, increased its pre-tax profits by 33 per cent from £6.08m to £8.1m in the year to March 31.

This advance was mainly because of a rise in profits in newspaper publishing and printing, which contributed £5.08m (£3.43m) to trading profits.

Turnover for the group grew to £58.48m (£53.03m) and earnings climbed to 20.65p (15.32p) per share. The final dividend is 7p (6p) to make 10.5p (9p).

South Green re-listing delayed

By Vanessa Houlder

South Green Holdings, formerly known as Metamec Jentique, has delayed its plans for a re-listing.

Conflicting legal advice over a contingent liability on an inter-company guarantee meant that the planned flotation last month had been cancelled. The company would now seek a re-listing by the Autumn at the earliest.

South Green would have emerged from the remains of Metamec Jentique went into receivership in 1984. Its management intends to embark on an acquisition programme that would transform it into a mini-conglomerate specialising in DIY products.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Community Hospitals Group (Section: Industrials)

Donelon Tyson (Buildings)

Hardy Oil & Gas (Oil & Gas)

N'wide Anglia 12¾% 19/8/90 (Loans/Bldg. Societies)

Sheffield Insulations Group (Buildings)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Beckenham, Claremount (UK), Gleneagles Beacon (GB).

Finals- Brown & Tawse, Cardo Eng. Embassy Property, Fenwell, Ford Sellar Morris, Greaver, Hogg Robinson, Nobo, Pathfinders, Sterling, Syltone, Textured Jersey.

FUTURE DATES

Interims-	
Everton Trust	July 11
First Chicago	July 14
Midland Bank	Aug. 2
Norfolk House	July 10
Owners Abroad	July 6
Finals-	
Deejan	July 4
Howden	July 11
Israel (Jack L)	July 5
Smiths Photo & Wright	July 12
Tops Estates	July 7

COMPANY NEWS DIGEST

Wiggins advances to £7.75m

WIGGINS GROUP, the property development and housebuilding company, reported pre-tax profits ahead by 72 per cent from £4.51m to £7.75m in the year to March 31. Turnover was £93.6m, against £73.2m.

Mr Stephen Hayklan, chairman, cautioned that "the rapid slowdown in the economy and in the housing sector will make it much harder to achieve real growth in the current year." But profits should rebound in the following year, when European development projects begin to show returns.

Earnings per share stood 66 per cent higher at 39.4p (23.8p). A final dividend of 6p makes a year total of 9p (5.5p).

Graham Wood tops forecast

Graham Wood, the structural engineer, has beaten the £1.08m profits forecast made when it came to market in February, with pre-tax figures doubled from £555,000 to £1.15m in the year ended March 31 1989.

Turnover grew 45 per cent from £19.36m to £28.08m. Earnings per 25p share were 38.8p (22.6p) basic and 31.3p (18.4p) fully diluted. In line with the prospectus, the directors have recommended a final dividend of 1.24p.

Walker & Staff up to £436,251

Walker & Staff Holdings, distributor of valve and pipework equipment, raised pre-tax profits by 25 per cent from £349,965 to £436,251 in the year ended March 31 1989, on turnover up 6 per cent at £7.08m.

After tax of £155,704 (£127,449) earnings per 5p share were 12.1p (9.7p). The single dividend rose from 2.5p to 3p.

Greenwich Comms loss at £377,400

Losses before tax of Greenwich Communications, the USM-quoted supplier of cable television to the Greenwich area, amounted to £377,400 for the six months to February 28 compared with a restated loss of £315,600.

Turnover fell to £243,100 (£331,200) with sales of satellite equipment, in particular, minimal, the directors said. However, following the sale of Cablescene, they anticipated trading would improve in the second half.

There was again no tax and losses per share amounted to 5.39p (4.51p). There was an extraordinary £406,200 credit this time. Comparatives have been restated to reflect the disposal of The Entertainment Corporation.

Centl & Sheerwood over £1m in profit

Central & Sheerwood, the engineering and property group, achieved pre-tax profits of £1.08m in 1988 compared with losses of £1.16m previously. The results are given on a merger accounting basis to deal with the property development companies acquired in August 1988 from Robert Fraser estates.

The directors said they were cautiously optimistic about the outlook for the property market. They intend to change the company's name to reflect the increasing emphasis on property activities.

Earnings per 1p share were shown as 0.28p (0.88p losses). There is no dividend, however, due to the continuing deficit on the profit and loss account reserve. The last payment was 0.3p in respect of 1982.

Turnover was £36.8m, against £29.9m.

John D Wood Warns of sharp downturn

By Ray Bashford

JOHN D Wood, the London estate agency, warned of a sharp decline in annual profits in the wake of the continued deterioration in the south-east England property market.

The company expects to fall into the red in the second half of the year, reflecting the impact that higher interest rates have had on estate agents.

Directors said that following the second-half loss, annual pre-tax profits were forecast to fail to about £250,000 compared with £1.46m in the 12 months to February 1987 - the group's first full year on the USM.

The company's problems were signalled last January at the the time of the first-half results when pre-tax profits slid 61 per cent to £435,000. The profits warning led to a fall in the group's shares from 7p to 80p.

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
8076	Ass. Brit. Ind. Ord	340xd	0	10.3	3.0	9.2
775	Armitage and Rhodes	31	0			
2732	BBB Design Group (USM)	33	-2	2.1	6.2	8.0
130997	Bardon Group (SE)	191xr	-12	2.7	1.4	32.6
20768	Bardon Group Cv. Pref. (SE)	119xr	-4	6.7	5.6	-
5927	Bray Technologies	98	0	5.9	6.0	8.7
	Bremhill Conv Pref	105	0	11.0	10.5	
	Bremhill 8¼ New C.C.R.P	104	0	11.0	10.6	-
1094	CCL Group Ordinary	288xd	-4	14.7	5.1	3.6
2100	CCL Group 11% Conv Pref	168	-3	14.7	8.8	-
16740	Carbo Plc (SE)	205	0	7.6	3.7	12.1
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
15315	George Blair	830xd	+5	12.0	1.4	18.3
10037	Isis Group	126	0	-	-	16.6
10215	Jackson Group (SE)	97xc	-83	7.1	7.3	5.6
23393	Multihouse N.V.(AmstSE)	300	-5	-	-	-
1244	Robert Jenkins	122	+2	7.5	6.1	4.6
20925	Scrutons	465xas	0	18.7	4.0	12.3
8963	Torday & Carlisle	290xd	0	9.3	3.2	10.1
	Torday & Carlisle Conv Pref	116	0	10.7	9.2	
4131	Trevian Holdings (USM)	96	-2	2.7	2.9	10.3
-	Unistrut Europe Conv Pref	123xd	0	8.0	6.5	-
6435	Veterinary Drug Co. Ltd	390	0	22.0	5.6	9.3
7504	W. S. Yeates	335	0	16.2	4.8	27.7

FT 30	FTSE 100	WALL STREET
Jul. 1779/1788 -19	Jul. 2145/2155 -24	Jul. 2425/2437 -35
Sep. 1791/1800 -26	Sep. 2160/2170 -32	Sep. 2440/2452 -36

Prices taken at 5pm and change is from previous close at 9pm

FINANCIAL TIMES STOCK INDICES

	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 23	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.01	85.03	85.55	85.35	84.39	84.45	89.29	83.75	127.4	49.18
Fixed Interest	96.27	95.94	96.02	96.01	95.62	95.54	99.59	95.21	105.4	50.53
Ordinary	1784.5	1809.6	1832.4	1829.7	1809.3	1797.7	1837.5	1447.8	1926.2	49.4
Gold Mines	223.5	225.5	193.2	192.6	196.7	192.8	225.5	154.7	734.7	43.5
FT-Act All Share	1101.68	1114.89	1126.69	1124.67	1114.48	1109.89	1131.41	921.22	1238.57	61.92
FT-SE 100	2151.0	2182.0	2209.4	2206.4	2179.6	2167.5	2209.4	1782.8	2443.4	986.9

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administration and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✝ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Convtbl & Equity	5	62.02	65.71	69.90	6.84	41599
European	5	68.46	68.85	73.24	0.09	46303
Far Eastern	5	60.88	61.05	64.95	0.67	46304
Growth Inc	5	88.41	91.87	97.73	1.42	41600
Growth Acc	5	88.41	91.87	97.73	1.42	—
Income Inc	5	83.30	85.22	90.66	4.71	41601
Income Acc	5	83.30	85.22	90.66	4.71	—
Property Share	5	54.61	54.61	58.21	0.99	41602
Smaller Co's	5	58.59	61.96	65.91	1.45	41603
Nth American	5	64.70	64.70xd	69.19	1.54	41209
International	5	48.32	48.32xd	51.67	0.41	41210
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Bloomfield St, London EC2M 7AY						01-588 0592
Growth	5	112.30	112.30xd	117.30	4.05	41604
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	62.93	65.46xd	69.64	2.61	41605
YUTM UK Bar ler Tst	5¼	60.21	62.36	66.34	4.61	41606
YUTM Intl Gwth Tst	5¼	50.89	50.89	54.30	1.00	41195

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gr's	City-line
Baillie Gifford & Co Ltd				
Int'l Exec June 7	485.3	503.8	—	40105
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Inv Fund May 31	515.49		4.75	40251
Fxd Int Sec May 31	139.45		10.25	40252
Deposit May 31	100.00		12.45	40253
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS				01-280 2800
C'inco Inc June 28	163.2	167.3xd	9.90	40254
C'inco Acc June 28	669.6	686.6xd	9.90	40255
C'share Inc June 28	152.9	158.6xd	3.74	40256
C'share Acc June 28	168.0	174.3xd	3.74	40257
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Income May 31	487.57		4.90	40258
Accum May 31	1620.94		—	40259

	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd—Contd.				
Pac Basin Fd Acc(z)	170.2	179.1	—	41714
Property(z)	568.2	598.0	—	41715
Mtple Inv Pens Acc(z)	1446.9	1523.0	—	41717
Barings Funds				
Pref. Pen. Fd	96.6	101.6	—	41718
YRA Strategy	118.6	124.8	—	41719
Langham Dollar (SE)	138.2	145.4	—	41720
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc	261.6	275.4	—	41723
Equity Acc	860.9	906.3	—	41724
Property Acc	502.7	529.2	—	41725
Far East Acc	203.8	214.6	—	41726
European Acc	23.3	24.5	—	41727
Managed Acc	680.1	715.9	—	41728
Managed Cap	385.9	406.3	—	41729
O'seas Earnings Acc	571.4	601.6	—	41730
Gilt Edged Acc	311.7	328.2	—	41731
American Equity Acc	469.9	494.7	—	41732
American Man.Acc	218.1	229.6	—	41733
American Prop Acc	151.5	159.5	—	41734
Pen.F.I.Dep.Cap	288.5	303.7	—	41735
Pen.F.I.Dep.Acc	495.0	521.1	—	41736
Pen. Prop. Cap	588.7	619.7	—	41737
Pen. Prop. Acc	1115.3	1174.0	—	41738
Pen. Man. Cap	829.4	873.1	—	41739
Pen. Man. Acc	1570.6	1653.3	—	41740
Pen.GiltEdg.Cap	313.9	330.4	—	41741
Pen. Gilt Edg. Acc	485.7	511.3	—	41742
Pen. Eq. Cap	1358.6	1430.2	—	41743
Pen. Eq. Acc	1950.1	2052.8	—	41744
Pen. Am. Eq Cap	154.9	163.1	—	41745
Pen. Am. Eq Acc	187.4	197.3	—	41746
Pen. Far East Cap	243.9	256.7	—	41747
Pen. Far East Acc	295.0	310.6	—	41748
Pen. Euro Cap	27.1	28.5	—	41749
Pen. Euro. Acc	29.5	31.1	—	41750
Pen. B.S. Acc	543.0	570.2	—	41751
Pen. B.S. Cap	325.5	342.7	—	41752
Pen. D.A.F. Acc	380.2	380.2	—	41753
Pen. D.A.F. Cap	255.7	255.7	—	41754
Pen. Mortgage Cap	146.0	153.7	—	41755
Pen. Mortgage Acc	176.6	186.0	—	41756
Barclays Funds				

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	131.0	138.0	-	43285
Building Soc. Fd.	171.0	180.0	-	43286
Balanced	285.0	300.0	-	43287
European	181.0	191.0	-	43289
GT Managed	177.0	187.0	-	43290
Gartmore Mngd.	118.0	125.0	-	43291
German	127.0	134.0	-	43292
Gilt	180.0	190.0	-	43293
Global	48.0	51.0	-	-
High Inc.	122.0	129.0	-	43294
International Equity	198.0	209.0	-	43295
Japan	239.0	252.0	-	43296
Managed	63.0	67.0	-	43297
Property	283.0	298.0	-	43298
R. W. Imperial Gold	149.0	157.0	-	43299
UK Equity	364.0	384.0	-	43300
Pension Funds				
American	154.0	163.0	-	43301
Building Soc. Fd.	172.0	182.0	-	43302
Balanced	220.0	232.0	-	43303
European	179.0	189.0	-	43305
German	113.0	119.0	-	43308
Gilt	154.0	163.0	-	43309
International Equity	144.0	152.0	-	43310
Japan	138.0	146.0	-	43311
Managed	65.0	69.0	-	43312
Property	218.0	230.0	-	43313
UK Equity	328.0	346.0	-	43314
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	599.7	632.0	-	43315
Adventurous Mngd.	128.6	135.6	-	46402
Secure Mngd.	110.0	116.0	-	46403
Cash Fd.	234.1	246.7	-	43316
Property Fund	287.4	305.8	-	43317
Equity Fund	676.9	713.3	-	43318
Fxd. Int. Fund	297.0	313.0	-	43319
International	305.9	325.5	-	43320
High Income	471.3	501.4	-	43321
Far East	409.5	435.7	-	43322
North American	283.8	299.1	-	43323
Special Sits.	621.9	661.7	-	43324
Technology	255.5	271.9	-	43325
Extra Inc Fd.	284.1	302.3	-	43326
Convertible & Gilt Fd.	153.6	163.5	-	43327
American Income	132.8	141.3	-	43328
Gilt Fund 20	295.7	314.6	-	43329
European Fund	104.5	110.2	-	43330

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Holborn Pensions Ltd—Contd.				
Communications	106.6	112.3	-	43537
Smaller Companies	109.2	115.0	-	43538
International Small Cos.	132.8	139.8	-	46259
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary June 28	£157.88	163.90	-	43539
Equity June 28	£173.03	179.37	-	43540
International June 28	£26.71	27.56	-	43541
Intl Bond June 28	£12.79	12.96	-	43542
Fixed Int. June 28	£71.84	72.81	-	43543
Index Linked June 28	£60.66	61.43	-	43544
Property June 28	£111.60	118.24	-	43545
Cash June 28	£21.9845	21.9845	-	43546
Pre-Linked Retirement Plan				
Managed June 27	385.4	401.5	-	43547
Cash June 27	194.1	205.4	-	43548
Prudential Pensions Investment Account				
Pens Mngd June 30	154.0	165.9	-	43549
Pens UK Eq June 30	302.7	326.8	-	43550
Pens Intl June 30	184.3	198.4	-	43551
Pens Fixed June 30	164.9	174.2	-	43552
Pens Index Lk June 30	155.9	164.6	-	43553
Pens Cash June 30	128.7	135.6	-	43554
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd.	119.7	125.9	-	43555
Balanced Ptflio Fd.	313.5	329.9	-	43556
Cautious Ptflio Fd.	121.7	128.0	-	43557
Elite Fund	109.3	115.0	-	43558
European Fund	88.2	92.8	-	43559
Far East Fund	105.7	111.2	-	43560
Fixed Interest Fund	240.7	253.3	-	43561
International Fund	274.4	288.8	-	43562
Money Fund	177.1	186.4	-	43563
N. American Fd.	121.1	127.4	-	43564
Property Fund	411.3	432.9	-	43565
UK Equity Fd.	381.9	401.9	-	43566
A.I.M. Brwin Dipbn Fd.	94.1	99.1	-	43567
Swim Select Ints.	111.2	117.1	-	43568
Chart Safety First Bd.	108.5	114.2	-	43569
Exec Master Fd.	101.0	106.3	-	43571
Hardwick Growth Fd.	109.9	115.7	-	43572
Bentley Haig LR Port.	102.1	107.5	-	43573
Milbourne Spec Port.	115.9	122.0	-	43574
Swim Global Fd.	112.6	118.5	-	46120
Hardwick Tst Fd.	72.6	76.4	-	-

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

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FT UNIT TRUST INFORMATION SERVICE

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ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,400	Exch. 10pc 1989	99⅞xd	13.68	26.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99¾	13.50	20.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	98⅛	11.65	9.3	15Apr 15Oct	1329
174	Exch 10¼pcCv '89	99	12.79	10.4	15May 15Nov	1255
1,800	Treas 13pc 1990‡‡	100¼xd	12.58	8.6	15Jul 15Jan	1300
500	Treas 2pc IL '90(84.6)	129¾xd	9.98	19.6	25Jul 25Jan	1311
1,400	Exch 11pc 1990‡‡	98⅜	12.91	6.1	12Aug 12Feb	1257
1,250	Exch. 12¼pc 1990	99⅝	12.85	13.2	22Sep 22Mar	1262
550	Treas. 3pc 1990	94	10.67	3.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	96⅛	12.54	9.5	15Dec 15Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	95⅜xd	12.24	9.6	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	96⅞	12.59	20.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	91⅛	9.61	17.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	99¼xd	12.57	27.6	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	91⅞	11.20	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	88⅜	9.75	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	96⅛xd	12.15	27.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	98⅛	11.93	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92	11.86	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	102⅜xd	11.51	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	96½	11.57	16.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	91⅜	11.56	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	97⅝	11.48	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	83⅞	9.56	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	102⅞	11.43	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	105⅞	11.34	13.2	22Mar 22Sep	1266
950	Treas 8¾pc 1993	91¼	11.20	17.1	18Aug 18Feb	—
1,850	Treas 10pc 1993‡‡	96⅜	11.02	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	104½xd	11.08	27.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	85⅞	10.32	6.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	109⅛	11.00	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	91½xd	11.08	27.6	3Aug 3Feb	—
600	Treas 14½pc 1994‡‡	113⅞	10.78	23.1	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	108⅝	11.06	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	96⅜	10.85	3.5	9Dec 9Jun	1284

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,550	Exch. 12½pc 1994	105⅜	11.01	16.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	92⅝	10.82	10.4	17May 17Nov	1345
2,350	Treas 12pc 1995	104¼xd	11.00	19.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90-95	75	8.53	28.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	97¼xd	10.89	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	106⅞	10.77	10.4	15May 15Nov	1298
900	Treas. 14pc '96	113⅜xd	10.97	15.6	22Jul 22Jan	1305
750	Treas. 9pc 1992-96‡‡	92⅞	10.54	6.2	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	120⅝	10.85	28.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	111⅜	10.80	10.4	15Nov 15May	1268
1,109	Conversion 10pc 1996	96¼	10.73	10.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	112¼xd	10.77	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	98⅞	10.71	16.1	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	90½	10.49	23.1	1Mar 1Sep	1341
1,000	Exch 15pc 1997	121⅜	10.90	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	95¼xd	10.58	12.6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	80⅞	10.13	28.3	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	127⅝	10.74	21.2	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	107⅜	10.66	13.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	95¾xd	10.29	8.6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	109⅞	10.64	17.2	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	99⅜	10.53	12.4	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	98½	10.50	17.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	88⅞xd	10.26	21.6	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	91⅜	10.27	25.1	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	115¼xd	10.64	27.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	97⅜	10.34	20.1	26Aug 26Feb	1280
1,250	Treas. 14pc '98-01	117⅝	10.86	17.4	22Nov 22May	1306
802	Conversion 9¾pc 2001	96⅝	10.27	4.1	10Feb 10Aug	1248
1,600	Exch. 12pc '99-02	107⅞xd	10.70	15.6	22Jul 22Jan	1261
716	Conversion 10pc 2002	98⅝	10.19	6.3	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	96⅜	10.17	23.1	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	91⅜	10.10	12.4	19May 19Nov	1272
1,800	Treas. 13¾pc 2000-03	119¾xd	10.69	19.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	99⅛	10.06	30.1	8Mar 8Sep	1281
1,900	Treas. 11½pc 2001-04	106⅝	10.46	10.2	19Sep 19Mar	1290
900	Treas. 10pc 2004	100⅛	9.99	11.4	18Mar 18May	1282

BRITISH FUNDS—Contd

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
443	Funding 3½pc '99-04	56⅛xd	8.92	29.6	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	96⅜	9.91	20.3	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	96⅝	9.88	13.3	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	104⅜	9.86	13.2	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003-05	117⅜	10.09	14.4	21May 21Nov	1295
1,800	Treas. 8pc 2002-06‡‡	85⅝	9.77	1.3	5Apr 5Oct	1334
702	Conversion 9¾pc 2006	99⅜	9.77	10.4	15May 15Nov	1249
1,150	Treas. 11¾pc 2003-07	112xd	10.10	15.6	22Jul 22Jan	1293
1,446	Treas 8½pc 2007 ‡‡	90⅞xd	9.61	9.6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04-08	126⅝	10.01	17.2	26Sep 26Mar	1301
1,800	Treas. 9pc 2008 ‡‡	94⅜	9.57	7.3	13Apr 13Oct	1343
1,000	Treas 8pc 2009	86½	9.51	16.2	25Mar 25Sep	1336
369	Conv 9pc Ln 2011 ‡‡	95⅞xd	9.44	29.6	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008-12‡‡	64⅛	9.23	1.2	10Mar 10Sep	1330
700	Treas. 7¾pc 2012-15‡‡	84⅞xd	9.38	19.6	26Jul 26Jan	1332
1,000	Exch. 12pc '13-'17	125⅜	9.45	8.5	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	42¼xd	—	26.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	37⅜	—	25.4	1Jun 1Dec	1352
140	Conv. 3½pc '61 Aft	65⅝	—	23.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	34⅛	—	1.3	5Apr 5Oct	1324
276	Consols 2½pc	26½xd	—	1.6	5Ja Ap Jul O	1238
475	Treas. 2½pc	26¼	—	23.2	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £ (b)	**	Last xd	Interest Due	City-line
650	Tr. 2pc '92‡‡(97.8)	108⅞	4.00	14.2	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	100⅝	3.76	10.4	16May 16May	—
1,000	Do. 2pc '96(67.9)	147⅞	3.71	7.2	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	124⅞	3.79	15.2	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	122	3.82	13.4	20Nov 20May	1317
1,200	Do. 2pc '06(69.5)	124⅛xd	3.80	12.6	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	116⅜	3.78	13.4	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	121⅜	3.77	17.1	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	101⅛	3.73	10.1	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	109¼xd	3.69	19.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	106⅜	3.63	10.3	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡(97.7)	90¼xd	3.57	12.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1988:109.5 and for May 1989:115.0

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	102⅝	10.86	1.12	4Jan 4Jun	—
100	Asian Dev Bk 10⅛pcLn2009	98⅞xd	10.45	28.3	24Mar 24Sep	—
100	Australia 13½pc 2010	122⅛xd	10.82	23.12	28Jan 28Jul	—
100	Do. 11¾pcLn2015	105⅞xd	10.78	22.3	26Apr 26Oct	—
75	Euro Inv Bk 11pc Ln 2002	102⅞	10.67	23.2	23Mar 23Sep	—
100	Do. 10¾pc2004	98⅜	10.62	24.10	Apr Nov	—
75	Int-Am Dev Bk 12¼pc 2003	111⅜	10.84	7.12	8Jan 8Jul	—
175	Do. 9¾pcLn 2015	92⅜	10.60	13.10	15May 15Nov	—
75	Mlysia 10⅛pcLn 2009	92¾xd	11.76	23.12	31Jan 31Jul	—
50	Utd. Mexican States 16½pc 2008	117	13.80	24.1	1Mar 1Sep	—

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	99½	11.20	20.4	20May 20Nov	1838
45	Do. 11½pc 2012	104½	11.00	14.4	15May 15Nov	1837
40	GLC 6¼pc 1990-92	87½xd	11.80	16.1	15Feb 15Aug	2647
40	Leeds 13½pc 2006	119½	10.90	10.3	1Apr 1Oct	3146
5	Liverpool 3½pc Irred	30xd	—	1.6	1Ja Apr Ju Oc	3169
25	LCC 6¾pc '88-90	94½xd	11.90	12.6	10Jan 10Jul	3198
26	Do. 3pc '20 Aft	28	—	2.5	1Mar Ja S D	3197
7	Manchester 11½pc 2007	104½xd	10.90	31.3	25Apr 25Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988-92	88⅛	12.00	1.12	1Jan 1Jul	—
—	S Rhod 2½pc Non-Asstd.	204	—	—	1Apr 1Oct	—
4	Do. 4½pc 87-92 Asstd.	84½	9.33	9.1	7Feb 7Aug	—

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	Nat'wide Anglia 10⅞pc 17.7.89	99⅞	14.02	12.12	11Jan 17Jly	—
20	Do. 11⅛pc 7.8.89	99⅞	14.19	3.1	1Feb 7Aug	—
20	Do. 11⅜pc 29.8.89	99⅞	14.19	—	2Feb 29Aug	—
20	Do. 12⅝pc 18.9.89	99⅜	14.18	10.2	13Mar 18Sep	—
20	Do. 12⅛pc 2.10.89	99⅝	14.17	27.2	26Mar 2Oct	—
20	Do. 11⅞pc 6.11.89	98⅞	14.32	31.3	30Apr 6Nov	—
20	Do. 12⅜pc 4.12.89	99⅛	14.28	28.4	28May 4Dec	—
20	Do. 12⅞pc 2.1.90	99⅞	14.29	30.5	2Jan 28Jun	—
20	Do. 12⅝pc 29.1.90	99⅛xd	14.27	23.6	29Jan 23Jly	—
—	Do. 12⅝pc 26.2.90	98⅞	14.29	—	26Feb 20Aug	—
—	Do. 12¾pc 19.3.90	98⅞	14.28	—	—	—
60	Do. 3⅞pcIL Ln 2021	100½xd	4.45	22.6	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
3	Agric. Mt. 5pc '59-89	99xd	—	1.6	1Jan 1July	1532
25	Met. Wtr. 3pc 'B'	46	10.41	1.2	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	40xd	3	7.50	1.2	1Feb 1Aug	2762
—	Do 4pc Mixed Ass.	40xd	2	5.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	80	2.75	3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	130⅜	15.00	11.18	27.10	31May 30Nov	—
30	Iceland 14½pc Ln 2016	121¼xd	14.50	11.84	29.12	31Jan 31Jul	—
30	Ireland 9¾pc '91-96	92½xd	9.75	11.38	15.2	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
8,561.7	Abbott Laboratories‡	37⅝xd	$1.20	2.0	11.4	Fb My Ag Nv	1503
255.7	¶Allegheny & W 1c.	492p	30c	3.9	—	—	—
1,918.2	Amax $1	15⅜xd	80c	3.2	5.5	Mr Ja Se De	1581
358.6	Ambase Corp $1	8⅝xd	20c	1.4	24.2	Ja Mr Jn Oc	2915
1,089.4	Amdahl 5c	10½xd	h10c	0.6	31.1	Mr Mr Jn Ag	—
3,069.8	Amer. Cyanamid $5	33⅛	$1.35	2.6	27.2	Mr Je Se Dr	—
10,828.4	Amer. Express 60c	21¼xd	84c	2.4	3.1	Fb My Ag Nv	1594
1,158.4	Amer. Medical Int. $1	14⅛	†72c	3.2	9.1	Fb My Au Nv	—
24,707.2	American T. & T. $1	22⅝	$1.20	3.3	27.5	Fb My Ag Nv	1597
15,499.5	Ameritech $1	36¼	h$2.92	5.1	28.3	Fb My Ag Nv	—
3,124.2	BankAmerica $1.8	17¼xd	60c	2.2	17.5	Fe My Au No	1744
2,500.9	Bankers N.Y. $1	31⅜xd	$2.08	4.2	31.3	Ap Jly Oc Jan	1745
10,865.1	Bell Atlantic $1	55	$4.08	4.7	27.6	Fe My Au No	—
14,408.1	BellSouth Corp	30	$2.52	5.3	4.1	Fe My Au Nc	—
1,012.9	¶Bethlehem Steel $8	13⅝xd	—	—	6.2	Mar Jun S D	1821
—	¶Bio-Rad Labs. A	943p	—	—	—	—	—
619.7	Bowater Inc.	16⅞	$1.12	4.2	6.6	Oc Ja Ap Jy	1884
992.1	Brunswick 75c	11⅛	44c	2.5	20.4	F My Au N	1989
3,302.3	CPC Intnl. 25c	40⅛	$1.60	2.5	25.9	Jan Ap Jly O	2263
3,176.7	CSX $1	20⅛	$1.24	3.9	22.2	M.J.S D.	—
134.4	California Engy	738p	—	—	—	—	—
4,265.6	Campbell Soup 15c	32⅜	92c	1.8	30.12	Oc Ja Ap Jy	—
1,918.3	Chase Manhattan $12½	23½xd	$2.36	6.4	26.4	Fb My Ag Jn	2109
2,510.2	Chem. Banking Corpn.	22½	$2.72	7.6	12.6	Ap Jy Oc Ja	—
3,535.1	Chrysler $6¼	16xd	$1.20	4.7	14.6	Mar Jun S D	2135
6,479.1	Citicorp $1	20⅞xd	$1.62	5.0	25.4	My Au N F	2141
3.31	CityFed Fin. Corp	16½p	4c	1.6	29.10	Fb My Ag Nv	—
2,311.6	Colgate-Palmolive $1	33½	s$1.48	2.8	20.4	F My Au N	2184
669.2	Cons Freightways 62½c	17⅛	98c	3.5	6.2	Fe My Au Nv	—
1,465.3	Cont'l Bank Corp $4	14½	86c	3.5	31.5	Dc Mr. Jn Sp.	—
—	¶Corporate Data Scnce.	310p	—	—	—	—	—

Continued on next page

	Bid Price	Offer Price	Yield Gross	City-line
Henderson Global Strategy Mngmt SA				
Henderson Global Strategy Fund				
North Am Portfolio	$0.90	0.95	—	45243
European Portfolio	$1.32	1.39	—	45244
UK Growth Portfolio	£0.99	1.04	—	45245
Japan Portfolio	$1.29	1.36	—	45246
Pacific Portfolio	$1.16	1.22	—	45247
Managed Intl Portfolio	$0.99	1.04	—	45248
Dollar Cash Portfolio	$0.9812	0.9812	—	45249
Sterling Csh Portfolio	£1.1134	1.1134	—	45250
Hill Samuel Investment Services Intl (z)				
NM Income & Gwth Fd				
NAV June 29	$15.43		—	45497
NM Financial Mngt Intl Ltd				
NM Hong Kong Fd	HK$17.31	18.07	4.67	45500
Int Residentl Prop Fd	£1.034	1.105	4.00	45501
National Mutual Insce Co (Bermuda) Ltd				
Nm Intl Mngd Fund	$13.50	14.37	—	45545
The New Zealand Fund				
Manager: Leadenhall Offshore Ltd				
The NZ Fund	$8.14	8.71	—	45558
Standifond				
Standinaviska Enskilda Banken				
Equity Int. Acc	$10.64	11.18	—	45798
Equity Int. Inc	$9.95	10.46	—	45797
Equity Global	$0.98	1.04	—	—
Far East	$1.66	1.75	—	45801
Equity Gold	$0.88	0.93	—	45803
Equity Japan Acc	Y119	125	—	—
Equity Nordic	$1.11	1.17	—	—
Equity UK	£1.09	1.15	—	—
Equity Conti Europe	$1.03	1.09	—	—
Equity Mediterranean	$1.05	1.11	—	—
Equity North America	$1.07	1.14	—	—

[illegible]

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX. 01-236 142[illegible]

Call Fnd	13.35	10.45	14.29	—
7-day Fnd	13.21	10.34	14.15	—
Special Fnd	13.46	—	14.32	—
Dollar	8.50	6.65	9.09	—

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

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AMERICANS – Contd

Market Cap. $m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
179.5	Cullinet Sftwr 1c	556p	–	–	–	–	–
1,190.1	Dana Corp. $1	26½	$1.60	3.8	30.5	Mr Jn Se De	2306
303.5	Data General	11	–	–	–	–	–
6,619.1	Dun & Bradstreet $1	35⅝	$2.00	3.6	13.2	Mr Jn Sp Dc	–
1,635.3	Eaton Corpn. 50c	38¼	$2.00	3.3	1.2	F My Au N	2410
631.0	Echlin Inc	10⅝	70c	4.2	30.6	JanAprJulOct	–
2,645.2	FPL Group 1c	19	$2.28	7.2	23.11	MrJnSepDec	–
16,382.4	Ford Motor $1	31½	$3.00	6.1	27.4	Mar Jun S D	2615
849.4	GATX 62½c	45	$2.00	2.8	12.6	Mar Jun S D	2662
31,007.4	Gen. Elect. 63c	33	$1.64	3.1	7.6	Ja Ap Jc Oc	2675
–	General Host Corp $1	516p	30c	3.7	13.12	–	–
3,836.0	Gillette $1	26	96c	2.3	27.1	Mar Jun S D	2695
271.2	Gt Am First Svgs Bk $1	627p	60c	4.6	28.10	[illegible]	–
835.4	Greyhound $1½	22	$1.32	3.9	30.5	Ja Ap Jy Oc	2778
699.8	Hasbro Inc 50c	13¼	16c	0.8	2.5	Ja No Au My	–
2,098.8	Honeywell $1½	47	$2.10	2.8	23.5	Mar Jun S D	2919
2,476.4	Houston Inds.	20¼	$2.96	9.0	18.11	Mr Jn Se De	–
42,913.1	IBM Corpn $1¼	71	$4.84	4.3	5.5	Mar Jun S D	2986
1.17	Image StorageR.Sys 1c	55p	–	–	–	–	2961
1,424.7	Ingersoll-Rand $2	27	$1.20	2.8	16.5	Mar Jun S D	2979
1,918.9	Lockheed Crpn. $1	29¼	$1.60	3.5	13.2	Mar Jun S D	–
334.1	Lone Star Inds $1	20¼	$1.90	5.9	12.6	May Au N Mar	3216
736.8	Louisiana Land 15c	23¼	$1.00	2.7	26.5	Mar Jun S D	3222
619.2	Lowe's 50c	15⅝	48c	1.9	9.1	Jan Ap Jly Oc	–
1,146.4	Manuf. Hanover $1	23	$3.28	8.7	26.6	Jan Ap Jly Oc	3279
1,941.1	Merrill Lynch $1	18¾	$1.00	3.4	31.10	Feb My Au N	3351
526.0	Molex Inc	2873p	3.2c	–	–	–	3397
4,457.1	Morgan (JP) $2½	24	$1.66	4.3	21.12	Jan Ap Jly O	3418
10,684.1	NYNEX $1	49⅝	$4.36	5.6	27.6	F May Au N	–
379.2	PHH Corp.	22⅝	$1.12	3.1	4.4	Ja Ap Jy Oct	–
–	Pacific Agr.	235p	–	–	–	–	–
1,774.2	Pacificorp $3¼	25⅝	$2.76	6.6	19.4	Feb My Ag No	–
10,871.4	Pacific Telesis 10c	25¼	$1.88	4.7	12.85	Fe My Au No	–
726.1	Pall Corp. 25c	19⅝	48c	1.5	24.1	Fe My Au No	–
2,090.7	Pennzoil 83 1/3c	50	$3.00	3.7	25.5	Mar Jun S D	3630
832.4	Premark Intl	24¼	84c	2.2	17.3	Jan Ap Jl Oc	3710
1,230.7	Quaker Oats $5	40	$1.20	1.9	20.6	Jly Oc Jan Apr	3738

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

For Toy Value see Cornet Cont

ELECTRICALS

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

هكذا من الاصل

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

INSURANCES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
2179.8	Sun Alliance	1105	41.0	4.9	22.5	Dec. July	4134
606.7	Sun Life 5p	1023	38.69	5.0	3.4	May Nov.	4136
39930.1	Taisho M EOR	£46	Q10%	0.7	25.3	April	4165
1,372.0	Torchmark $1.00	£24½	Q$1.20	2.6	6.4	Fb My Au Nv	—
175.8	Trade Indemnity Grp.	161	1.4	1.2	3.4	—	4286
2461.0	Travelers $3.25	£26¼	$2.40	5.8	25.4	Mr Je Se De	4296
1515.6	USF & G Corp $2.50	£19¾	Q$2.80	8.9	13.12	Ap Au Ja	—
544.6	USLIFE Corp. $1.0	£28¼	Q$1.40	3.1	10.2	Mr Je Se De	—
116.2	Wtd Friendly B 10p	748	31.25	5.6	8.5	June Nov	4373
560.8	Willis Faber 12½p	238	11.46	6.4	17.4	Jul Nov.	4513
10.6	Windsor 10p	48	—	—	1.88	—	4521

LEISURE

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.36	A & M Group 10p	78	—	—	—	—	1490
241.4	Do. 10pc Cv Uns. Ln 1998	£77¼	10%	17.2	16.1	January	3057
28.8	Airtours 10p	164	†6.25	5.1	28.12	Feb July	1548
112.6	Anglia TV	260	17.75	4.0	27.2	Aug Jan.	1621
48.9	Avesco 1p	140	‡1.13	1.1	4.7	October	1718
7.28	BCE Hldgs 5p	28	‡1.0	5.1	30.1	Sept. Mar	1719
18.1	Barr & W.A.T. 'A'	365	15.0	5.5	22.5	Oct July	1764
—	Bond Media	14	Q2c	6.9	—	—	4832
20.6	Boosey & Hawkes	525	10.0	2.5	19.6	Jul Jan	1873
4.66	Border T.V.	46	†1.7	4.9	28.12	Oct. Feb	1878
190.3	Brent Walker 10p.	365	11.0	4.0	22.5	July Jan	1945
135.6	Do 6pc. Cv. Cm. Rd. Pf.	103	6.0	7.8	22.5	Jan July	1944
28.0	Campari Int. 20p	273	8.5	4.2	13.3	Oct May	2048
130.3	Capital Radio 10p.	798	†10.0	1.7	22.5	Jan July	2068
1,798.8	Carlton Communcns.	824	†7.5	1.2	13.2	Apr Aug	2073
20.5	Castle Comms. 5p	415	†7.2	2.3	3.4	Apr Dec	2079
197.3	Central ITV	776	25.5	4.4	3.4	Nov May	2091
48.9	Chrysalis	176	a3.43	2.6	12.12	Apr Aug	2134
98.6	Cityvision 5p	169	1.0	0.7	17.4	June	2150
12.9	Classic Th'treas b0.20	19	—	—	—	—	1383
235.7	Compass Group 5p.	364	†17.2	2.7	19.6	Jan Jul	1687
48.2	European Leisure	98½	Q0.62%	0.1	3.4	Apr Dec	1403
11.4	Ex Lands 10p	71	0.5	0.9	25.4	May	2523
17.1	Expedier Leis. 20p	114	—	—	—	—	2932
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
Petrofina SA	£282½	BFr400	3.1	22.5	—	—
Petrogen Petroleum	8¼	♦	—	—	—	3647
Pict. Pet. 5p	120	—	—	—	—	3659
Premier Cons. 5p	100	—	—	—	—	3711
Ranger Oil	340	—	—	—	—	3770
Royal Dutch Fl 5	£48¾	Q142%	4.9	12.5	May Sept.	3872
Sandpiper Oil	11	—	—	—	—	—
Santos A$0.25c	178	hQ18.2c	5.1	10.4	Oct May	3916
Sceptre Res	254	—	—	—	—	—
Shell Trans. Reg.	415	17.0	5.5	13.3	Nov. May	4003
Do. 7pcPf. £1	71	4.9%	9.2	28.12	Feb. Aug.	4005
Silkolene	440	12.0	3.6	3.4	Jan May	4021
Southwest Rs. 40p	7½	♦	—	6.85	—	4066
Sovereign Oil	185	—	—	—	—	4067
TR Energy 10p	14	—	—	—	—	4275
Texaco 8pc Cnv	£188¼	Q8%	7.4	17.4	Jan. Oct.	4201
Total-Cie Fr Pet B	£48½	Q30%	5.9	16.6	June	—
Triton Europe 5p	191	—	—	—	—	4313
Tuskar Res Ir 5p	88	—	—	—	—	1479
Ultramar	318	7.5	3.2	13.3	Jan Oct.	4340
Woodside A50c	112	—	—	—	—	4535

OVERSEAS TRADERS

Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
Afer Corp US $1.50	120	Q9c	4.1	27.2	April	1527
African Lakes	96	b1.82	2.5	17.4	June	1526
Antofagasta Hldgs.	447	Q13.0	2.9	17.4	Nov Jun	1626
Do. 5pc Cum Prf £1	50	Q4.9	9.6	12.12	Jan July	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.12	Ayer Hitam $M1	45	tQ53c	‡	9.3	Apr. Nov.	1714
12.0	Gopeng Berhad M$0.50	75	Q10c	3.3	13.3	—	2726
	For Jantar see Industrials						
301.0	Malaysia Mng. 10c.	72	Q5c	1.7	17.4	Dec Aug	3272
18.2	Petaling $M1	180	Q87c	11.6	5.6	Dec July	3644
4.27	Sungei Besi $M1	125	Q70c	13.5	12.12	September	4140
2.34	Tanjong 15p	90	—	—	6.81	—	—

Miscellaneous

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
10.0	Anglesey Mining 9p	138	—	—	—	—	5186
1.42	Do. Warrants	71	—	—	—	—	5072
—	Anglo-Dominion	13	—	—	—	—	—
151.7	Bond Intl. Gold	455	—	—	—	—	—
43.0	Butte Mining 10p.	43	—	—	—	—	2024
—	Colby Res Corp.	35	—	—	—	—	—
7.49	Cons. Murch. 10c	120	Q30c	6.3	11.1	Aug. Feb.	2216
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
‡ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
◆ Not comparable
◆ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend.

‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p. γ	98	.....
Craig & Rose £1 γ	720	.....
Finlay Pkg. 5p γ	68	−2
Holt (Jos) 25p γ	1330	−13

IRISH

Stock	Price	+ or −
Cap. 8¼% Ln. 1991	£98¼	.....
9pc Cap Ln. 1996	£99½	.....
Fin. 13% 97/02	£120	.....
Arnotts	410	+10
Carrol (P.J.) γ	145xd	.....
Hall (R. & H.)	165	.....
Helton Hldgs. γ	70	−1
Irish Ropes	200	.....
Unitedf Drug	135	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Beecham	58
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	48
Comm Union	32
Courtaulds	38
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds.	58
Marks & Spencer	15
Midland Bk.	30
Morgan Grenfell	24
Nat West Bk.	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect.	40
RHM	42
Rank Org Ord.	80
Reed Intnl.	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	16
Unilever	46
Vickers	18
Wellcome	42

Property	p
Brit Land	32
Land Securities	52
MEPC	50
Rundsworth	28

Oils	p
Brit Petroleum	21
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	p
Cons Gold	100
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FINANCIAL FUTURES

Yen becomes a short term high risk

IT WILL be very surprising if Japan does not announce a fall in its foreign exchange reserves today. The Bank of Japan has been intervening heavily to support the yen. This started as part of co-ordinated action to depress the dollar, involving central banks from the Group of Seven main industrial countries, but recently it has become an attempt to defend the weakening yen.

The Bank of Japan probably sold about $7bn last month and its reserves will have fallen to $89bn from $95.7bn during June, according to the Nomura Research Institute in London. Morgan Grenfell expects the reserves figure to have fallen by up to $6bn on the month.

The strength of the dollar did not start out as a problem peculiar to the Japanese yen, but that is the way it has developed. Barclays de Zoete Wedd's latest exchange rate monitor says: "Avoid the yen. It looks more and more deserving of our high risk tag."

The market is not just looking at the yen's value against the dollar. The cross rate against the D-Mark is also important.

The yen and the D-Mark have been weak against the dollar this year, but whereas the Japanese authorities have done little to rectify this the Bundesbank has steadily raised interest rates and attempted to squeeze inflation out of the West German economy.

Mr Stephen King, international economist at James Capel, points out that the Bundesbank has raised its discount rate four times since its low last August, against only one move from the Bank of Japan. He believes this is the result of pressure from Japan's main trading partners to stimulate domestic demand and reduce the very large trade imbalance in Japan's favour. It is much less the product of a vacuum in economic policy caused by a series of scandals involving senior members of the ruling Liberal Democratic Party.

Mr King adds that the Bank of Japan has found it difficult to act decisively in order to reduce inflationary pressures. The rise in the Bundesbank's discount and Lombard rates last Thursday was in response to the strength of the real economy in Germany and the weakness of the D-Mark against the dollar. This puts the Bundesbank well ahead of the Bank of Japan in the anti-inflation credibility stakes according to Mr King.

BZW takes a similar view and says the yen is very weak and that rather than going into dollars this money will flood into Germany. The D-Mark's value against the yen was around Y70.00 at the beginning of the year, moving up to Y73.70 by Friday. BZW identifies Y74.00 as a technical resistance point, which if broken could quickly take the German currency to Y79.50.

Future performance may depend on where West Germany and Japan are in the economic and inflationary cycle. Inflation rates in the two countries are around 2.9 per cent, but Japanese domestic demand growth is stronger, rising 5.8 per cent in the first quarter of this year, against only 2.4 per cent in Germany.

Japanese inflation will rise to around 4.5 per cent by the first quarter of 1990, according to James Capel, but German inflation will be under 4 per cent. Many economists think German rates have probably peaked, but James Capel believes that rising Japanese inflation will see an increase of 0.75 per cent in the Bank of Japan's discount rate.

The yen's weakness may therefore be relatively short lived. James Capel suggests a rise by the D-Mark to Y75.00 in the near term, followed by a fall back to Y70.00 by the middle of next year.

Colin Millham

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

POUND SPOT- FORWARD AGAINST THE POUND

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	0.973	1.507	2.945	217.0	10.	2.530	3.318	2129	1.805	61.55
S Fr.	0.385	0.596	1.164	85.77	3.953	1	1.312	841.5	0.713	24.33
H Fl.	0.293	0.454	0.889	65.40	3.014	0.762	1	641.6	0.544	18.55
Lira	0.457	0.708	1.383	101.9	4.697	1.188	1.559	1000.	0.848	28.91
C $	0.539	0.835	1.632	120.2	5.540	1.402	1.838	1180	1	34.10
B Fr.	1.581	2.449	4.786	352.6	16.25	4.111	5.391	3459	2.933	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

FT LONDON INTERBANK FIXING

MONEY MARKETS

No rate rise suggested by sterling futures

THERE WAS surprise in financial markets at the timing of Thursday's rise in West German interest rates. Similar moves were forced from France; Switzerland; the Netherlands; Denmark; Belgium and Austria.

This inevitably posed the question of whether the Bank of England would signal a rise in UK bank base rates? Sterling closed at DM3.0275 on Friday. Technical support is seen at DM3.0150, but if this is broken some analysts fear the pound will fall through DM3.00, sparking a rise of 1 per cent to 15 per cent in bank base rates. Others argue that if base rates held at 14 per cent, when sterling's index was below 90.0, the authorities will continue to resist higher rates.

UK clearing bank base lending rate
14 per cent
from May 24

The performance of short sterling futures on Liffe provides a reasonable guide to sentiment.

Before the release of better than expected UK trade figures on Tuesday the support level for September short sterling was 85.40, which just held on Monday. The price moved up sharply, after the figures on Tuesday, as short positions were squeezed, but then moved down on Thursday after the rise in German rates. Levels of support are now seen at 85.75 and 85.49, with upward resistance at 85.99 and 86.25. The narrowest band between support and resistance is therefore 85.75 to 85.99, and the contract closed in the middle of this, at 85.86 on Friday. This is virtually equal to the closing three-month interbank rate of 14⅛ per cent on the cash market, suggesting sentiment has changed for the better and there is no underlying pressure for higher base rates.

MONEY RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	Fri June 30: US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	Thu June 29: US Dollar Index	Pound Sterling Index	Local Currency Index	Dollar Index: 1989 High	1989 Low	Year ago (approx)
Australia (84)	131.09	−9.3	125.47	115.40	+2.5	5.11	131.92	125.98	115.87	157.12	128.28	138.88
Austria (19)	120.99	+26.1	115.81	122.69	+38.4	2.20	121.10	115.64	122.19	124.16	92.84	85.83
Belgium (63)	128.65	−4.8	123.13	129.76	+4.3	4.22	129.83	123.98	130.15	137.10	125.58	118.18
Canada (123)	140.13	+11.6	134.12	121.56	+12.0	3.29	139.87	133.57	121.08	141.80	124.67	126.33
Denmark (38)	200.37	+17.6	191.78	207.19	+30.3	1.62	200.75	191.71	206.78	200.75	165.35	129.15
Finland (26)	140.27	+7.2	134.26	129.38	+13.2	7.62	141.25	134.89	129.86	159.16	125.81	131.20
France (128)	118.68	+3.2	113.59	123.52	+13.0	3.07	119.05	113.69	124.04	122.79	112.57	96.30
West Germany (100)	88.71	+0.9	84.91	90.14	+11.1	2.26	89.59	85.56	91.06	90.72	79.58	75.96
Hong Kong (49)	94.17	−15.6	90.14	94.27	−15.9	5.88	94.17	89.93	94.23	140.33	86.41	107.95
Ireland (17)	133.05	+1.0	127.35	137.96	+11.8	3.05	133.73	127.71	138.25	151.36	125.00	134.60
Italy (97)	84.30	−1.0	80.69	88.96	+7.1	2.50	84.39	80.59	89.18	88.88	74.97	71.70
Japan (455)	170.97	−10.7	163.64	155.63	+2.9	0.51	171.89	164.14	155.80	200.11	164.22	159.58
Malaysia (36)	181.29	+26.3	173.52	188.55	+25.9	2.55	182.94	174.70	190.13	185.09	143.35	152.13
Mexico (13)	258.23	+69.6	247.16	705.83	+74.4	0.71	260.66	248.92	709.82	271.98	153.32	167.92
Netherland (42)	118.57	+5.5	113.49	119.17	+16.0	4.94	119.51	114.13	120.14	122.22	110.63	103.28
New Zealand (24)	65.70	−2.8	62.88	60.79	+6.7	6.11	66.55	63.56	61.25	78.02	62.64	78.76
Norway (26)	178.21	+28.3	170.57	172.65	+39.5	1.48	178.77	170.72	173.13	198.39	139.92	122.90
Singapore (26)	159.18	+27.2	152.33	144.01	+28.5	1.93	160.86	153.62	146.18	161.98	124.57	125.58
South Africa (60)	151.58	+29.7	145.08	131.74	+34.1	4.06	152.62	145.75	132.65	152.62	115.35	118.46
Spain (43)	148.24	−0.1	141.88	139.48	+9.5	3.53	149.09	142.38	140.34	156.17	143.14	151.14
Sweden (35)	165.35	+14.4	158.26	162.72	+24.1	2.11	165.83	158.36	162.76	166.15	138.45	116.93
Switzerland (57)	80.08	+2.6	76.65	83.33	+14.8	2.30	80.63	76.90	83.77	81.29	67.81	79.42
United Kingdom (314)	137.70	+1.8	131.79	131.79	+18.8	4.45	139.76	133.47	133.46	153.33	133.28	131.69
USA (555)	129.67	+14.6	124.11	129.67	+14.6	3.46	130.36	124.49	130.36	135.83	112.18	110.96
Europe (1005)	117.13	+2.1	112.11	115.69	+15.3	3.54	118.28	112.95	116.91	121.70	112.63	106.90
Nordic (125)	161.80	+15.9	154.86	155.65	+26.3	1.82	162.28	154.97	155.63	162.28	137.95	113.70
Pacific Basin (674)	166.64	−10.6	159.49	151.88	+2.6	0.75	167.52	159.97	152.05	194.72	160.44	156.68
Euro−Pacific (1679)	146.92	−6.8	140.62	137.42	+6.3	1.66	147.91	141.25	137.92	164.22	141.56	136.40
North America (678)	130.20	+14.4	124.62	129.18	+14.4	3.45	130.84	124.95	129.80	134.17	112.79	111.80
Europe Ex. UK (691)	103.94	+2.3	99.48	106.05	+12.4	2.87	104.55	99.84	106.67	106.57	96.30	89.88
Pacific Ex. Japan (219)	114.68	−7.9	109.77	104.89	−1.7	4.96	115.31	110.12	105.27	137.65	111.93	121.73
World Ex. US (1875)	146.80	−6.0	140.50	137.04	+6.8	1.73	147.74	141.09	137.52	162.77	141.49	135.90
World Ex. UK (2116)	139.92	−0.1	133.92	134.80	+8.3	2.10	140.65	134.31	135.23	146.04	136.98	125.69
World Ex. So. Af. (2370)	139.63	−0.1	133.65	134.52	+9.0	2.30	140.48	134.15	135.07	146.65	136.67	128.25
World Ex. Japan (1975)	125.00	+9.0	119.64	123.75	+14.2	3.55	125.83	120.16	124.51	128.01	114.51	110.22
The World Index (2430)	139.70	+0.0	133.71	134.50	+9.2	2.31	140.55	134.22	135.05	146.51	136.68	126.20

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

	%		%		%
ABN Bank	14	City Merchants Bank	14	Mount Banking	14
Adam & Company	14	Clydesdale Bank	14	Nat Bk. of Kuwait	14
AAB - Allied Arab Bk	14	Comm. Bk.N.East	14	NatWestminster	14

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

JOTTER PAD

CROSSWORD

No.6975 Set by TANTALUS

ACROSS

1 and 6 Firework exploded while teacher went to lose weight (9,5)
9 Either way there is a principle (5)
10 Painters might start cultivating this plant (9)
11 Rough games on tar once played at fairgrounds (5,5)
12 Leading performer in last Arcadian play (4)
14 Attack verbally irritating person (7)
15 If returned during last month it means a shortage (7)
17 Many join female also going back for a smoke (7)
19 Maybe stern about the French, then softens (7)
20 Initially when Adam spotted poisonous insect (4)
22 Writer thanks companion or daughter for instrument (10)
25 Covering for sailor boy at home (9)
26 Gets closer to partners entertaining auditor (5)
27 Hood for songster? (5)
28 Gift extremely likely soon (9)

DOWN

1 Tom points to delicacy (5)
2 A green tin used for fruit (9)
3 Team is on it perhaps to give judgment (10)
4 One who takes risks (7)
5 Gem of an isle? (7)
6 Pull up to meet a superintendent (4)
7 English winner has no alternative but to expel (5)
8 Later, suit may be made for man of letters (9)
13 Last two characters leave coffee in club maybe for this shop (3-7)
14 Bet on liquid being provided for isolated place (9)
16 There is only one in Eire (9)
18 Extreme support for cyclist? (7)
19 Engineers unite somehow to train (7)
21 Rook sitting in variety of bush has a drink (5)
23 Little girl bashful and attractive (5)
24 Outspoken prophet (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 15.

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices June 30

2100	Wajax A	$14	14	14	+ 1/4
18	Weldwood	$15 7/8	15 7/8	15 7/8	
3135	Wst Fraser	$18	18	18	
11845	Wcoast E	$18 7/8	18 1/2	18 7/8	+ 1/4
5600	Westmin	$9 1/2	9 1/4	9 3/8	− 1/8
11290	Westes	$44 1/8	43 1/2	44 3/8	+ 3/8
10874	Woodwd A	$5 3/8	5 3/8	5 3/8	+ 1/8
600	Xerox Can	$19	19	19	+ 1/4

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices June 30

3500	BombrdrA	$14 1/8	13 7/8	14 1/8	+ 1/8
24924	BombrdrB	$14 1/8	13 7/8	14	
4100	CB Pak	$19 1/4	18 7/8	18 7/8	− 1/8
12300	Cascades	$08 7/8	08 3/4	08 7/8	+ 1/8
57825	DomTxtA	$18 1/8	15 7/8	18	+ 1/4
2900	Memotec	$09 7/8	09 1/4	09 7/8	+ 1/8
270233	NatBk Cda	$14 1/8	13 7/8	14	− 1/4
4573	Noverco	$12 1/2	12 1/4	12 1/2	+ 1/4
30780	Power Corp	$15	14 3/4	14 7/8	− 1/8
25927	Provigo	$10 1/4	10 3/8	10 1/4	+ 1/8
28830	SteinbrgA	$47 1/4	46	47 1/4	+ 1 1/4
20242	Videotron	$19 1/2	19 1/4	19 3/8	− 1/8

Total Sales 5,164,994 shares.

INDICES

NEW YORK DOW JONES

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Bond Ind	3,983,200	7 1/8	—	IBM	1,824,700	111 1/8	+ 3/8
Syntex	3,800,800	49 1/2	+ 1 1/8	USX Corp	1,344,700	34 1/2	− 1/8
Boston Ed	3,192,600	17 7/8	—	Avon Prod	1,335,000	35 3/4	+ 1 1/8
AT&T	2,807,300	35	− 1/2	Exxon	1,273,700	44	− 1/8
Gen Elec	1,837,200	51 5/8	− 1/8	Warner Comms	1,267,400	68 3/4	+ 3/8

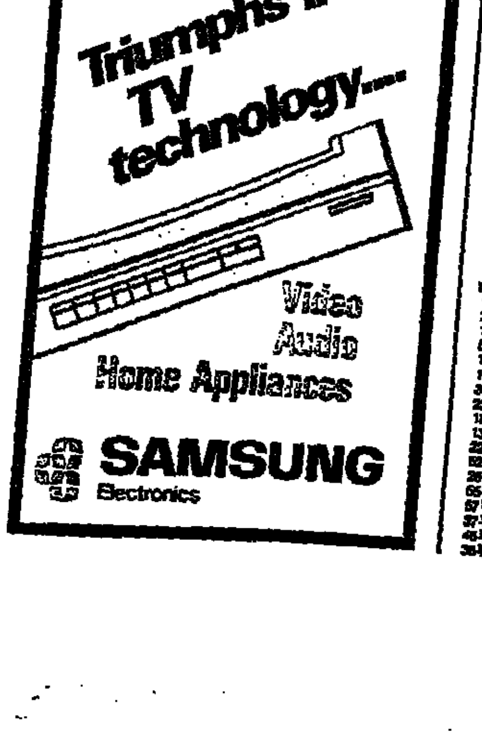
Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday June 30 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	9.05m	1,350	0	Tokyo Elctrnc	6.00m	3,790	+10
Nippon Steel	8.73m	800	-1	KHI	5.48m	1,090	-30
Kawasaki Steel	7.89m	800	+10	Canon	4.10m	1,790	-30
Sumitomo Mtl	7.42m	781	-4	Hitachi Zosen	3.90m	824	+6
MHI	6.45m	1,170	0	NKK	3.88m	790	0

4pm prices June 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES



Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16	6¼	vjPNH pfE				31	12	11⅝	11⅝	− ⅛
15¼	6¼	vjPNH pfF				10	10⅜	10¼	10⅜	
15⅜	6½	vjPNH pfG				30	11½	11½	11½	
15⅞	10⅝	PSvNM	.38j			1272	14⅝	14¼	14⅜	+ ⅛
27½	22	PSEG	2.04	7.5	10	1828	27⅞	26½	27⅛	+ ¼
45½	40¼	PSEG pf4.08		9.1		z210	u45⅞	45	45	+ ½
85	75⅝	PSEG pf7.80		9.1		z40	u85½	85½	85½	+ ½
84	77¾	PSEG pf8.08		9.7		z70	83	83	83	
83	72¼	PSEG pf7.40		8.9		z60	u83½	83½	83½	+ ½
3⅞	1⅛	Publick				113	2⅞	2¾	2⅞	+ ⅛
91¼	39¼	PR Cem	.65a	1.4	6	29	47	46⅝	46⅝	
21	18	PugetP	1.76	8.6	10	479	20⅝	20½	20½	
8⅝	7½	PHICB	.86	11.		143	7⅞	7⅞	7⅞	
10⅛	9⅝	PHYM n				241	10⅛	10	10	
10⅛	8⅝	PIGIT	1.01	11.		729	9⅜	9¼	9⅜	
10⅛	9⅞	PMMI	n.09e	.9		248	9⅝	9⅝	9⅝	
9⅞	8⅝	PMIT	1.03a	11.		406	9	8⅞	9	+ ⅛
9⅞	8¾	PMIT	1.10a	12.		513	9⅜	9¼	9⅜	+ ⅛
9⅞	8⅝	PPrIT	1.14	12.		1586	9½	9⅜	9½	
11⅞	5⅞	Pyro			86	389	u12	11⅝	12	+ ⅜
9¾	6	QMS				104	8⅛	8	8⅛	− ⅛
1⅜	5-16	Quantel			1	18	15-32	15-32	15-32	− 1-32
65⅛	42⅝	QuakrO	1.20	1.9	20	2448	62⅞	61	62¼	− ⅝

[illegible]

12 Month High	Low	Stock	Div.
12⅞	7	SolinCo	.20
3⅞	5-16	Soumrk	
12⅛	1⅛	Sotek pf	
9	⅞	Sotk pfH	
28⅜	15¼	SwAirl	.14
21⅞	17	SwtGas	1.40
54⅞	38⅞	SwBell	2.60
27	16⅞	SwEnr	.68
28⅜	24⅜	SwtPS	2.20
38⅝	30¼	Sovran	1.52
12⅞	9	Spain n	.15e
13⅞	10	Sparton	.52
14⅝	10½	Sprague	.05e
45¼	27	Springs	1.20
59½	45⅞	SquarD	2
89⅜	60	Squibb	2
19⅞	11⅞	StBPnt	
22⅛	14⅞	StdCm s	.52
11⅞	8¼	StFdBk	.40
17⅞	12⅞	StMotr	.32
17½	9¼	StdPac	1.80e
31½	28⅛	StdPrd	.92
25½	19⅜	Standex	.64

[illegible]

AMEX COMPOSITE PRICES

4pm prices June 30

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 4pm prices June 30

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WillyJ A	1.10	60	39	57	56	57	
Wilmnt	1.45	7	484	43	42	42⅞	+ ⅛
WilmTr	1.24	12	245	39⅛	38½	38½	− ⅛
WiserO	.40	50	117	15⅞	15⅛	15⅞	
Wolohn	.28	9	68	17⅛	16½	16⅞	− ⅛
WWEx n			114	6⅛	5⅞	5⅞	− ⅜
Worthg	.48	14	365	22⅛	22	22⅛	+ ⅛
Wyman	.80	71	908	19⅛	18⅛	19⅛	− ½
−X−Y−Z−							
XL Dta s		18	502	21⅛	20½	21	− ⅛
XOMA			542	17⅛	16½	17	
Xicor		8	824	6⅛	d 6	6⅛	− ⅛
YelowF	.70	10	1634	27	26⅝	26⅝	− ⅝
ZionUt	1.44		13	25⅛	25	25	
Zycad			574	3	2⅛	3	+ ⅛

The Business Column

Universal banking: a relic of the past

More and more one hears the proposition that universal banking is the wave of the future. But there are good grounds for doubting this, and it would be premature for anyone in the financial services industry to base too much strategy on it.

Universal banking is an appealing concept in today's commercial climate. Financial deregulation and improved technology make it much easier for banks to pattern themselves on the classic universal banking model: the continental European bank which intermediates in both the credit and securities markets.

The proposition got a strong boost last month when Brussels approved the new EC Banking Directive which was deliberately designed to promote universal banking. Securities activities are specifically recognised as legitimate areas for banks, and under the "passport" concept, any bank which is authorised to conduct them may do so throughout the Community, even in countries where they are forbidden by local law.

The proposition has also been heavily promoted by US and Japanese banks in their long-running battle to reform laws which keep securities and banking separate on their home market. In a recent speech on banking structures, Dennis Weatherstone, the President of J.P. Morgan, said: "In practice, commercial banking and securities activities have converged to the point that they can no longer be truly separated."

But is that really the case? It may be true that the sort of multinational corporate clients that Morgan serves are so sophisticated that they can draw on the whole gamut of finance. But does that mean that banks are capable of providing all those services from under one roof, and, possibly more important, managing the complexities, the conflicts and the varying cultures?

London since Big Bang

Looking at the experience of London since the Big Bang – an event which many saw as the start of universal banking in the UK – one is forced to draw the opposite conclusion. Of all the financial groups which started out on the universal banking road back in 1986 with such high hopes, many have fallen by the wayside, and the few that are left are not earning sufficient profits to sustain them very long.

By contrast, the houses which retreated from universal banking, or remained specialists all along, look a lot healthier. They are earning good money, they are often close to or at the top of the chosen fields (which may be modest), and they are probably blessed with a homogenous culture which holds them together and gives them a strong sense of purpose.

How, though, does one explain the success of the continental universal banks?

What success they have enjoyed has been largely because of the relative unimportance of securities activity on their domestic markets, and the tameness of what little there is. When a German or a Swiss bank is said to play an underwriting or stockbroking role, that bears little parallel to similar functions in the much more open and culturally distinct markets of the Anglo-Saxon tradition in the UK, the US and Japan.

As proof of this, most of the universal banks which tried to get into the Anglo-Saxon markets through the Big Bang have had a terrible time, particularly the Swiss. The same has been true of the American banks which tried to use the Big Bang as a test bench for eventual deregulation back home. They found it a much rougher ride than they expected, while the benefits and synergies were few.

Altogether, it is not difficult to conclude that universal banking, far from being the wave of the future, may be a relic of the past. If a more open market culture comes to dominate in financial services – and that seems to be the direction in which things are moving at the moment – specialisation will seem increasingly attractive, and the universal banks may even be confronted with the need to split themselves up.

David Lascelles

THE MONDAY INTERVIEW

Concern and hope on racial issues

Alan Pike talks to Michael Day, chairman of Britain's Commission for Racial Equality

Michael Day had been chairman of the Commission for Racial Equality for only a few months when, this time last year, he submitted his annual report to the Home Secretary. It spoke of the "sheer weight and pervasiveness of the discrimination facing black people" and a scale and persistence of discrimination "insupportable in any civilised society."

Last month Mr Day submitted his second annual report. Although the message that Britain must give a much higher priority to race relations issues was unchanged, the language was noticeably softer.

"When I arrived at the commission I carried the luggage of my previous job in seeing race relations in rather eschatological terms," admits Mr Day.

That previous job, for 12 years, was chief probation officer of the West Midlands. While there, Mr Day was deeply affected by the inner-city riots which exploded in Birmingham's Handsworth district in the early 1980s. This dire vision of what could happen if Britain failed to make a success of race relations is one reason why he subsequently accepted the chairmanship of the commission.

"As a result of those experiences in Handsworth I saw race relations, and our failure to cope with its problems, in terms of manifest disaster and social breakdown.

"I still think that is true – if we don't get it right it can all become very ugly indeed. But I tend now not to take that as my starting point because it frightens people like hell, and although we do need to be frightened that kind of deterrent approach does not necessarily bring out a very positive way of dealing with things. It can also suggest that if there are no riots on the streets and cars aren't being burnt then we've solved the problem."

The problem is not just a little accidental inequality of opportunity around the edges of an almost perfect multi-racial society. At its worst it is, as the commission's report last year declared, persistent and pervasive racial discrimination.

Britain's ethnic minorities are strongly over-represented on most of the nation's negative social indicators. Disproportionately large numbers of black people are unemployed, in prison, or experiencing the multiple disadvantages of life in some of the most deprived inner-city areas.

For some, the very fact of being black brings aggression and abuse. A Home Office report last month concluded that the extent of racial harassment and attacks remains "worryingly large."

Against these examples of the most negative aspects of race relations in Britain – there are also some signs of progress and grounds for hope – the chairman and 200 staff of the statutory commission work to eliminate discrimination and promote equality of opportunity and good race relations.

There is a point of view, which Mr Day agrees is sometimes reflected in comments by Ministers, that Britain has solved its race relations problems, or is at least coping fairly well with them. He casts cautious doubt on this.

"I do not want to be too negative and denigrate the note of optimism that progress is being made. But I doubt whether the scale of need is really appreciated. If we are really going to change things with a sense of urgency in the profound way that I believe is necessary, it requires much more effort and money and it requires strengthening the law."

Since 1985 the commission has been trying to persuade the Government to amend the 1976 Race Relations Act – one of the commission's specific functions is to keep the Act under review and propose changes to it. It would like powers to bring actions in its own name on behalf of groups of people alleging racial discrimination. It wants a more workable definition of indirect racial discrimination (ostensibly neutral rules and procedures that have the effect of discriminating against ethnic minorities). And it is asking for the introduction of ethnic monitoring and record keeping.

Although the Government has not formally rejected a comprehensive revision of the Act, Mr Day knows the chances of it happening are small. But he detects a willingness among ministers to tighten up specific areas from time to time.

In spite of the weaknesses in the Act which more than a decade of experience has revealed, Mr Day concedes that "had we started from scratch in the last few years it is doubtful if we would have got anything as liberal and enlightened on the statute book. There would be more reservations now than were voiced at the time, when it had all-party support."

Better race relations will not, in any case, be achieved by law alone. Mr Day is equally concerned to persuade organisations to examine their attitudes and procedures and question whether these are appropriate to a multi-racial society.

One of the areas where it is particularly necessary to encourage this to happen is employment. Organisations, says Mr Day, must challenge the inclination of senior managers – who are usually white – to promote people like themselves. "People are pretty locked-in to stereotypes of what a director, a judge or a chief constable looks like. It has taken some people a long time to reconcile themselves to the notion that women can do jobs like bank managers. Organisations have to focus on the qualities which are required of candidates for senior posts, rather than simply replacing people like us with people like us."

Research undertaken by the commission shows that black people entering professions like accountancy, the law and teaching have to search much harder than similarly-qualified white applicants for posts.

"When you take account of all other factors – education, experience, qualifications and the rest – this is down to discrimination. And that is appalling."

The chairman of the Commission for Racial Equality has to maintain a perpetual and demanding balancing act. He could not do a worthwhile job were he to lose the confidence of the Government which appointed him. But neither could he afford to lose the support of the ethnic minority communities. A balance of perspective is also required, between recognising the distance Britain has to travel before it will achieve the racial equality enshrined in the commission's title, and the equal need to applaud the fact that some progress is being made.

Mr Day emphasises the achievements – in fields as varied as commerce, sport, entertainment, and medicine – of many black people in Britain. "You can look at one side of London, towards the North West, and you will find many fairly prosperous Asian business people and much that it positive and enriching. But you have to look to Tower Hamlets as well and the appalling deprivation and suffering that is going on there."

Part of the Government's answer is the enterprise culture. It is stepping up efforts to increase the number of Asian and Afro-Caribbean businesses, and its inner-cities policies are intended to bring new job opportunities and hope to areas where a large number of black people live.

But while this may work to the advantage of some, Mr Day is concerned that the "trickle-down theory" of wealth creation is in danger of leaving many disadvantaged ethnic minority families in the inner cities even further behind. There is no evidence, he suggests, that the development of London's docklands has been to the advantage of people living in the nearby highly-deprived Spitalfields area of Tower Hamlets.

Mr Day has been particularly struck by the extent to which the Salman Rushdie episode has demonstrated that the establishment of a pluralist, multi-racial society encompassing varying cultural and religious traditions is far more complex and demanding than many might once have imagined. He sees a danger that such controversies, and the way in which the media report them, may arouse fears that multiculturalism will destabilise Britain.

Faced with vast problems of attitude and the array of immediate, practical issues which confront the commission Mr Day is aware of the danger that the Commission for Racial Equality can look something of a token gesture. He does not pretend that it can solve problems single-handedly. "I don't buy the view that everyone else can get on with their work while we deal with the race thing. What we can do is tell other people what they should do.

"Only a false romantic would imagine that you are going to make your way in any new relationship without some struggles, some conflict and some anger. What matters is how you handle those emotions.

"If we have learned anything in the past 11 years – and some people would say the commission has not done enough – it has been to uncover the amount of discrimination which does go on. There is no excuse for anybody now saying they don't know the score and none of us is off the hook. No individuals and no institutions in this country cannot in some way put their own houses in order."

PERSONAL FILE

- **1933** Born. Educated Selwyn College, Cambridge, and London School of Economics
- **1960** Probation Officer, Surrey
- **1968** Chief Probation Officer, Surrey
- **1976** Chief Probation Officer, West Midlands
- **1982** First Chairman, Association of Chief Officers of Probation
- **1988** Chairman, Commission for Racial Equality

'There is no excuse for anybody saying they don't know the score'

EC legal limits on British sovereignty

JUSTINIAN

An unacceptable transfer of sovereignty is how the Prime Minister described the second and third stages of the European Community's move towards economic and monetary union, as formulated in the Delors report.

Did Mrs Thatcher mean to convey merely a limitation upon national governments to determine and pursue their own currency policy, or was the language of sovereignty intended, by its appeal to insularity, to arouse political emotions among the British electorate?

Sovereignty is a word of many meanings. It is common to speak of the Queen or any Head of State as the sovereign, without attributing an unlimited authority. Again, we speak of sovereignty in international affairs as meaning independence or freedom from external control.

Self-determination of an identifiable cultural group reflects a kind of popular sovereignty. But every developed state has to have a "sovereign" who makes the laws in the form of commands which have to be obeyed by the citizenry. In a democracy this sovereignty is often said to lie in Parliament.

These sovereignties – national, popular or parliamentary – have little in common with each other. Parliamentary sovereignty at least conveys the suggestion in the United Kingdom that the House of Commons, with or without the revising second chamber of the House of Lords, is supreme. As a matter of political or sociological fact, Parliament is not supreme, even though legislation is not subject to constitutionally guaranteed rights enforced by a constitutional court. The pinpointing of political power in Britain is altogether a much more complex matter than can be reduced to the label of sovereignty.

There is no greater manifestation of national sovereignty than the Crown's power to make treaties, particularly multilateral treaties like the Treaty of Rome. With the UK's accession to membership of the European Economic Community on January 1, 1973, British constitutional law became infused with the whole corpus of Community law. And to seal the question of the effect of such a major inroad upon British independent action, Parliament passed the European Communities Act 1972. Whatever legislative supremacy Parliament had, in practice it surrendered a great deal.

Community law, which became a part of the law to be enforced in British courts, is to be found in the Community Treaties and in regulations, directives and decisions of the Community organ. These organs are the Council of Ministers, a political body composed of the foreign ministers of the member states; or the European Commission, a supranational body composed of top Community officials; and in the rulings and decisions of the European Court at Luxembourg.

According to that court, Community law remains distinct from national law, and exists alongside it. Where Community law is in conflict with national law, however, the former prevails.

Parliament in 1972 accepted the binding authority of the ruling principles of the European Court, which has frequently stated that no parliament of a member state can ever legislate inconsistently with Community law. The acceptance of Community law thus brought with it a constitutional novelty for the British which nearly 20 years later still seems in certain quarters to escape appreciation or full recognition.

The European Monetary System was introduced 10 years ago. It established the European Currency Unit (Ecu, an appropriate acronym) as a unit of account among member states. It also set up a mechanism which, within narrow bounds of fluctuating control, establishes the exchange rate for each currency.

The Single European Act of 1986 noted the introduction of the EMS and the measures taken since 1978 to implement monetary cooperation. At the same time, a declaration was made by the Commission that the provisions in the Rome Treaty relating to the Community's monetary capacity did not preclude the possibility of further development within the framework of the existing powers. The Delors report has been framed in deliberate furtherance of that declaration. EMS and the Delors report do not seek the transfer of sovereignty. They are an expression of a political power already conceded to the Community.

The Prime Minister's objection to the second and third stages of the Delors report are no more than a political expression by the government of one member state of its desire to see the monetary policies of the Community moulded in a more restrictive way than was perceived by the architects of the European Community.

Mrs Thatcher's disinclination for Britain to participate in the full-blooded monetary union may or may not possess political persuasion both at home and abroad in western Europe. It has no legal or constitutional force.

Given that the Community is primarily, if not exclusively, concerned with economic and social issues, and does not purport to be a federation of European states, national independence and sovereignty are preserved, but only in form and within a narrow band of governmental action. The effective policy-making organ may still not be a supranational commission, even if increasingly controlled by the European Parliament. True it is that the Council of Ministers, reflecting their respective countries' interests, is still in control. But within that framework of Community law and executive action the political power of Britain does not stem from any application of parliamentary or any other form of sovereignty. Sovereignty as a legal or constitutional concept is dead. It should be decently interred.